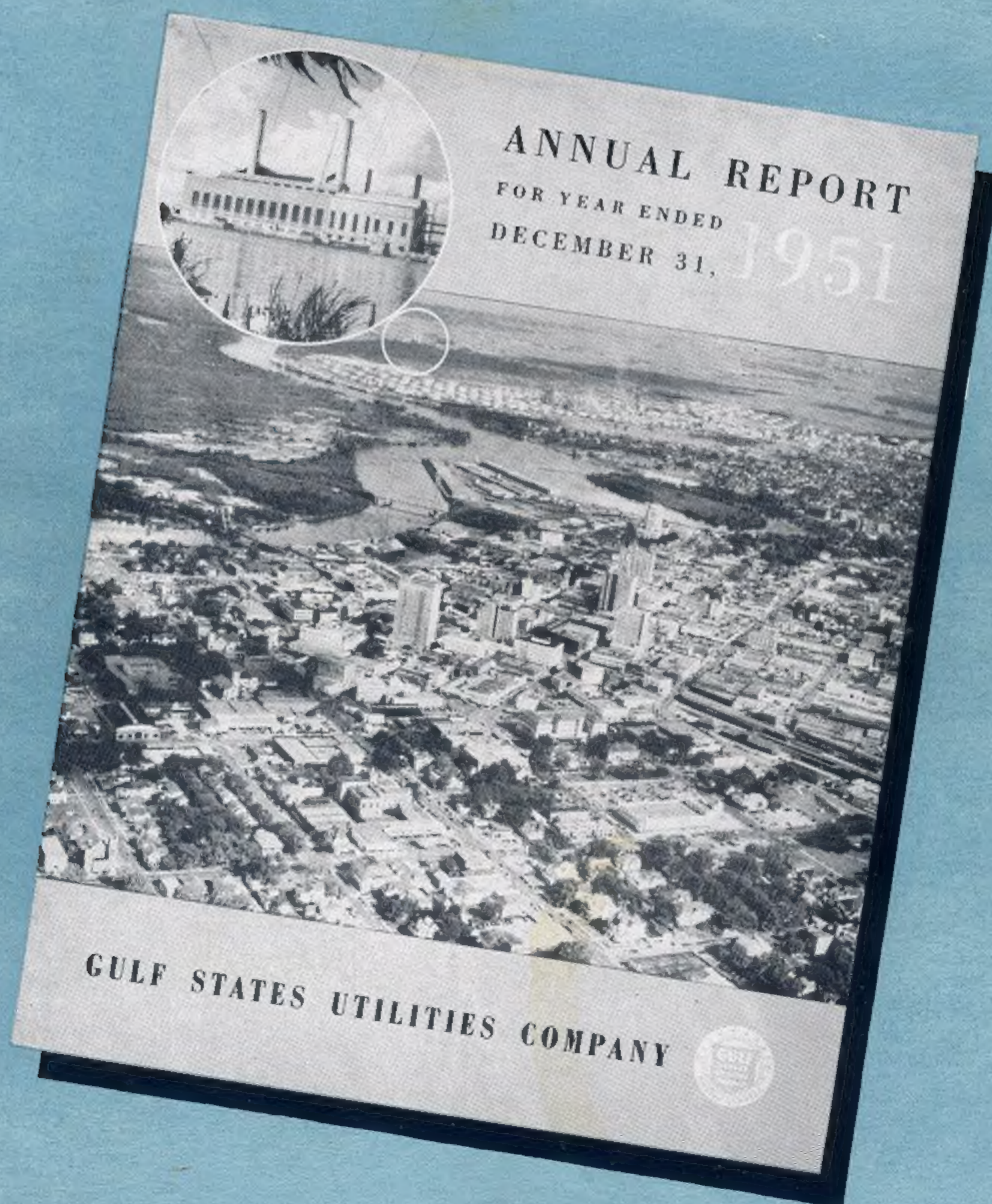


Plain Talks



APRIL 1952

A N N U A L R E P O R T N U M B E R

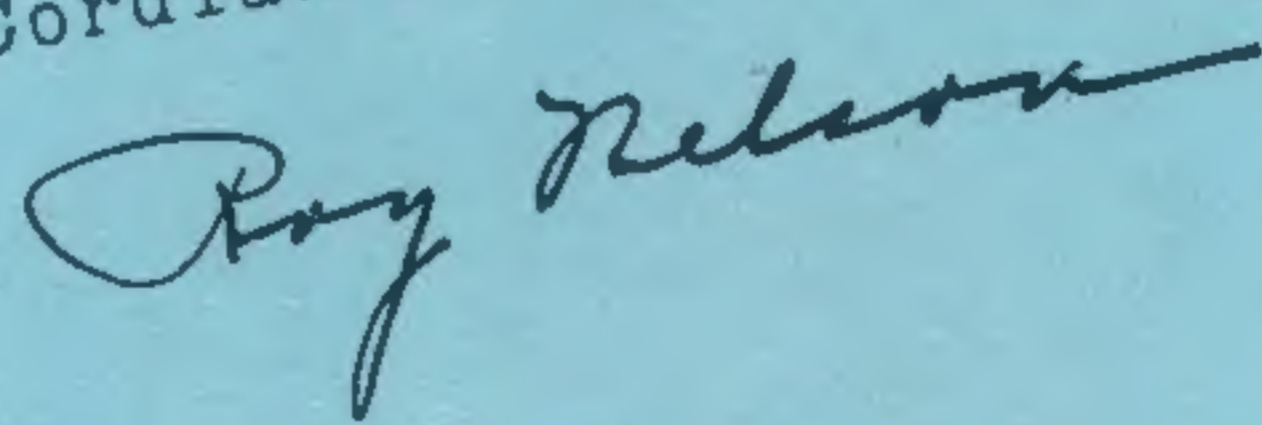
Gulf States UTILITIES COMPANY

Dear Fellow Employees:

You and your family will find a great deal of information of personal interest, I am sure, in our 1951 Annual Report.

Your department head will be glad to discuss with you any of the information contained in the Report; or write to me about it if you prefer.

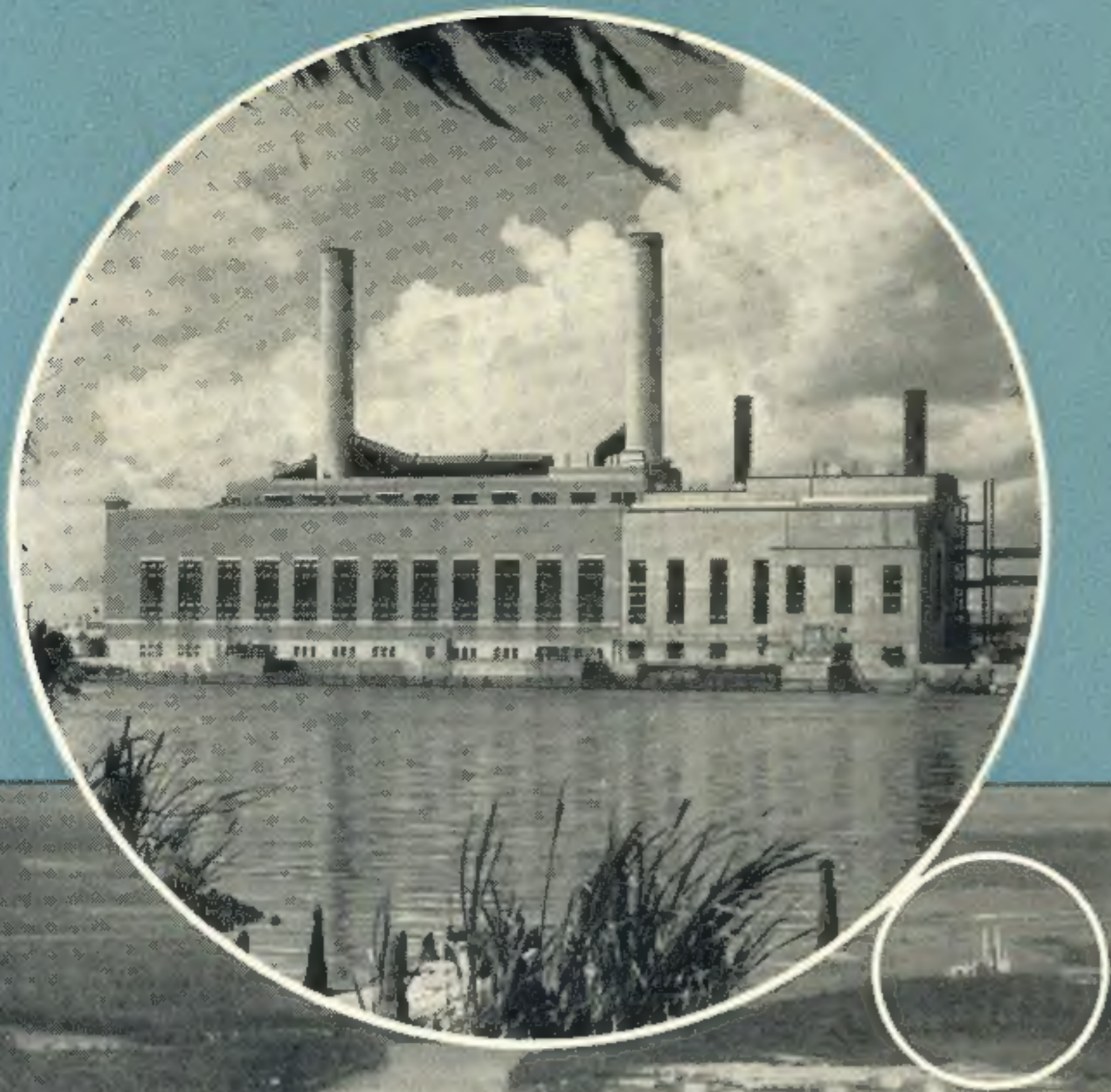
Cordially yours,



Roy Nelson
President

D E P E N D A B L E P U B L I C S E R V I C E





ANNUAL REPORT

FOR YEAR ENDED
DECEMBER 31, 1951



GULF STATES UTILITIES COMPANY





The area's expanding chemical and petrochemical industry, growing out of the Texas-Louisiana Gulf Coast's petroleum empire, is dependent in great measure upon electric power. Some chemical products which have long served the petroleum industry are "antiknock" compounds, used to improve aviation and motor gasoline. The world's greatest producer of this product is the Ethyl Corporation, whose manufacturing plant at Baton Rouge, Louisiana, is shown above.

ANNUAL REPORT
TO THE STOCKHOLDERS

for the year ended December 31, 1951.

GULF STATES UTILITIES COMPANY

BEAUMONT, TEXAS

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The next Annual Meeting of Stockholders is to be held on Monday, June 9, 1952. A formal notice of the meeting, together with a proxy statement and form of proxy for those unable to attend, will be mailed to stockholders on or about May 6, 1952 at which time proxies will be requested on behalf of the management.

Front Cover: Aerial view of Beaumont, Texas, Home Office of the Company and location of Neches Power Station.

GULF STATES UTILITIES COMPANY

ORGANIZED IN 1925 UNDER THE LAWS OF TEXAS

DIRECTORS

MUNGER T. BALL
WILLIAM R. BELL
THOMAS J. HANLON, JR.
HAROLD C. LEONARD

ROY S. NELSON
WILL E. ORGAIN
C. VERNON PORTER
EDWARD H. TAUSSIG

OFFICERS

THOMAS J. HANLON, JR., *Chairman of the Board*
WILLIAM R. BELL, *Vice President*
HAROLD C. LEONARD, *Vice President*
WILLIAM H. GIESEKE, *Secretary*

ROY S. NELSON, *President*
GEORGE R. FULTON, *Vice President*
LOUIS F. RIEGEL, *Vice President*
HENRY V. FABER, *Treasurer*

TRANSFER AGENTS

Common Stock

\$4.20 Dividend Preferred Stock

\$4.40 Dividend Preferred Stock

The American National Bank of Beaumont..... Beaumont, Texas

Stone & Webster Service Corporation..... Boston, Mass.

The Chase National Bank of the City of New York..... New York, N. Y.

\$4.50 Dividend Preferred Stock

\$4.40 Dividend Preferred Stock, 1949 Series

Stone & Webster Service Corporation..... Boston, Mass.

REGISTRARS

Common Stock

\$4.20 Dividend Preferred Stock

\$4.40 Dividend Preferred Stock

The First National Bank of Beaumont..... Beaumont, Texas

State Street Trust Company..... Boston, Mass.

The Hanover Bank..... New York, N. Y.

\$4.50 Dividend Preferred Stock

\$4.40 Dividend Preferred Stock, 1949 Series

State Street Trust Company..... Boston, Mass.

AUDITORS

Lybrand, Ross Bros. & Montgomery..... {Houston, Texas
New York, N. Y.

OFFICES

Beaumont, Texas, Principal Office
Port Arthur, Texas
Navasota, Texas
Baton Rouge, Louisiana
Lake Charles, Louisiana

1951 AND 1950 . . . IN BRIEF

INCOME

	1951	1950
From Sale of Electricity and Steam	\$30,228,162	\$26,447,043
From Sale of Gas	1,734,129	1,456,383
From Sale of Water	735,726	635,594
From Rentals, Interest and Incidental Activities—Net	83,511	109,920
	<u>\$32,781,528</u>	<u>\$28,648,940</u>

OUTLAY

FOR OPERATION AND MAINTENANCE

For Employees, Payrolls Charged Directly to Expense	\$ 6,504,034	\$ 5,605,375
For other Items		
Cost of Fuel	2,729,319	1,939,992
Required in generation of 2,728,122,255 (1950—2,335,057,443) kilowatt hours.		
Purchased Power	2,011	535,404
Cost of 366,245 (1950—63,412,431) kilowatt hours purchased from others.		
Gas Purchased for Resale	392,405	356,237
Cost of 3,650,091,000 (1950—3,289,560,000) cubic feet.		
Maintenance Materials, Supplies and Services	1,143,885	808,170
Repair parts and miscellaneous items necessary to keep the property in good operating condition.		
Other Materials, Supplies and Services	3,460,233	3,009,928
A multiplicity of things to run the business.		
Depreciation of Property and Amortization of Plant Acquisition Adjustments	3,661,460	3,206,865
Wear and tear and obsolescence of equipment and facilities, etc.		
	<u>\$17,893,347</u>	<u>\$15,461,971</u>

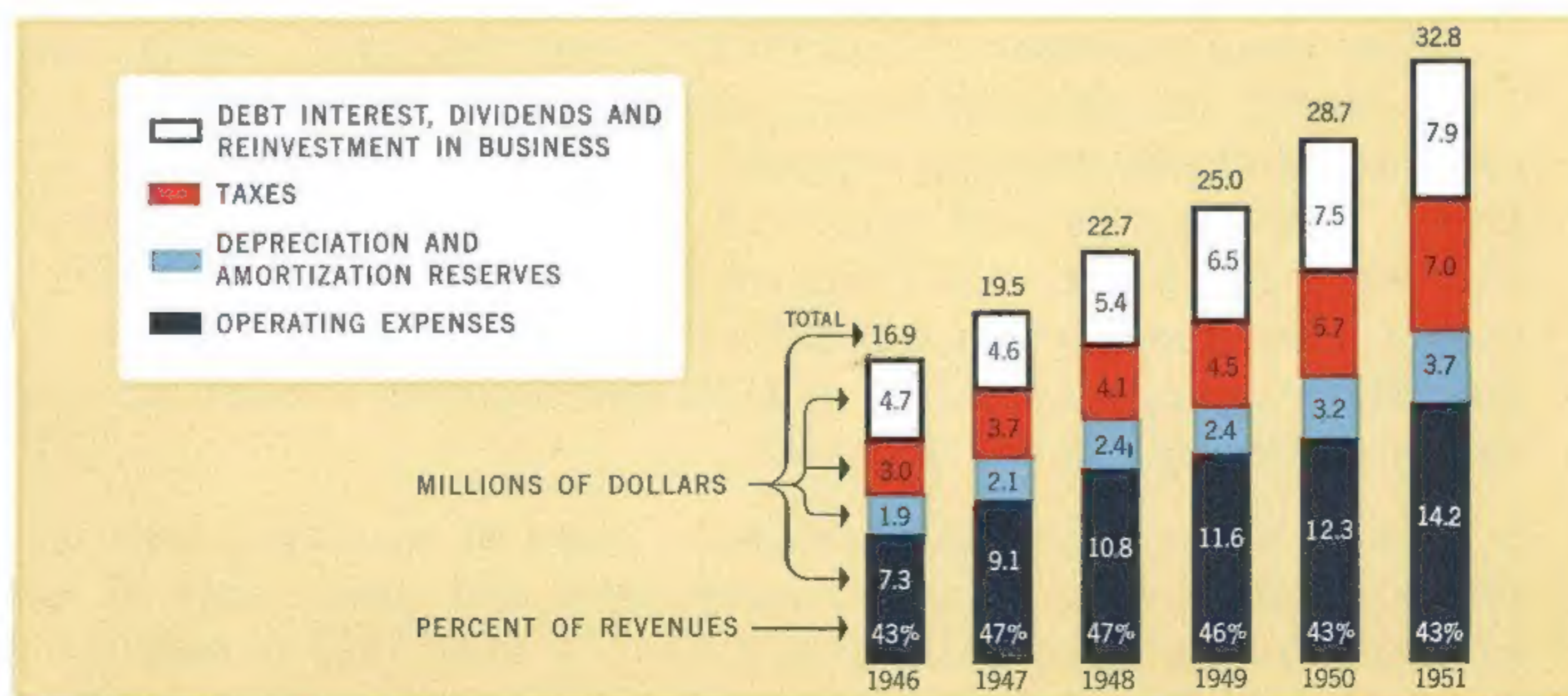
FOR SUPPORT OF GOVERNMENT

Federal Income Taxes	\$ 4,126,773	\$ 3,060,741
Other Federal Taxes	553,489	550,625
Property Taxes	1,325,427	1,228,873
Other State, Local and Miscellaneous Taxes	995,447	882,126
	<u>\$ 7,001,136</u>	<u>\$ 5,722,365</u>

FOR SECURITY HOLDERS

For Holders of Bonds, Notes, etc.:		
Interest and Amortization	\$ 2,224,385	\$ 2,031,521
Interest Charged to Construction	301,915*	641,830*
Dividends Paid Holders of Preferred Stock	1,311,000	1,030,067
Dividends Paid Holders of Common Stock	3,412,101	3,186,299
Balance for Reinvestment in the Business	1,241,474	1,858,547
	<u>\$ 7,887,045</u>	<u>\$ 7,464,604</u>

* Credit.



The President's Letter

Beaumont, Texas
March 28, 1952

To the Stockholders of

GULF STATES UTILITIES COMPANY:

The year 1951 was one of continued rapid increase in the Company's load. The growth of the Company's business is solidly rooted in the development of essential, diversified activities in its service area, covering approximately 28,000 square miles in the Gulf Coast region of Texas and Louisiana. The continued large expansion of important petroleum and chemical industries indicates a high level of business activity throughout the coming year.

Back of all the statistics and events in review is an outstanding organization of loyal and capable employees. They continue to represent the Company to friends and communities alike in such a way as to guard its good name and add to its stature from year to year.

Although new high records were achieved during the year, including service to the largest number of customers, delivery of the largest volume of electricity, and receipt of the highest operating revenues in the Company's history, net income in 1951 was \$110,338 less than in 1950 principally because of:

Continued increases in cost of materials and services used
in the Company's operations;

Effect of higher Federal income tax rates; and

Increased carrying charges due to added investments.

Operating revenues of \$32,847,291 were \$4,165,721 more than in 1950, but this increase was largely offset by an increase of \$1,976,781 in operation and maintenance expenses, and an increase of \$1,278,771 in taxes. Debt service and preferred dividend requirements increased \$801,463. The balance for Common Stock and Surplus was \$4,653,575, or \$1.61 per share, which was \$391,271 less than for 1950 when Common Stock earnings amounted to \$1.85 per share on a lesser number of shares outstanding at the year end.

In an effort to halt the downward trend of earnings on its investments resulting from steadily rising taxes and other costs of doing business, the Company found it necessary in May 1951 to seek the first

increase ever requested in its rates for electric service. In February, 1952, the Louisiana Public Service Commission denied the Company's petition in respect of its operations in Louisiana. A petition for a court review of this ruling has been filed in Louisiana, and the Company is seeking early action on rate increase applications now pending before city authorities in the service area of the Company in Texas.


New construction expenditures in 1951 amounted to \$20,654,012. Most of this was devoted to the expansion and strengthening of the electric transmission and distribution facilities, and the completion of additional generating units in two of the principal power stations. Approximately \$13,700,000 of the funds needed for the 1951 expansion were provided by the sale of debt and equity securities. The balance, \$7,000,000, was financed from funds on hand at the beginning of the year and from depreciation reserves and income not distributed as dividends.

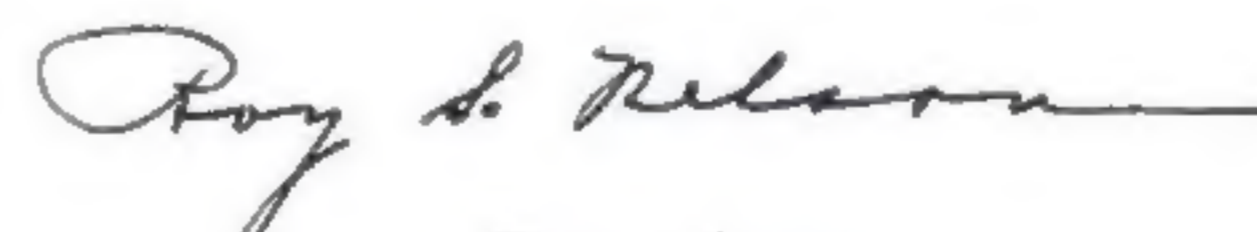
Even with all of the expansion of plants and lines already completed, load demands continue to grow so rapidly that the system still is lacking a safe margin of capacity over peak load requirements. Expanding industries and population growth throughout the Company's service area necessitate continuance of the long-range construction program started in 1946. Orders are outstanding at this time for four new turbo-generator units totaling 200,000 kilowatts of capacity.

The greatly improved and strengthened transmission and distribution facilities planned in the construction program for the next three years, and completion of the above generating additions as rapidly as deliveries of equipment can be secured, will contribute materially to the power supply of the Gulf Coast region which is so essential to the national defense.

We take this opportunity to thank our Stockholders for their confidence and support. We hope for their continued interest, and invite suggestions at any time which will have our best consideration.

By order of the Board of Directors,


Chairman of the Board


President

Operations

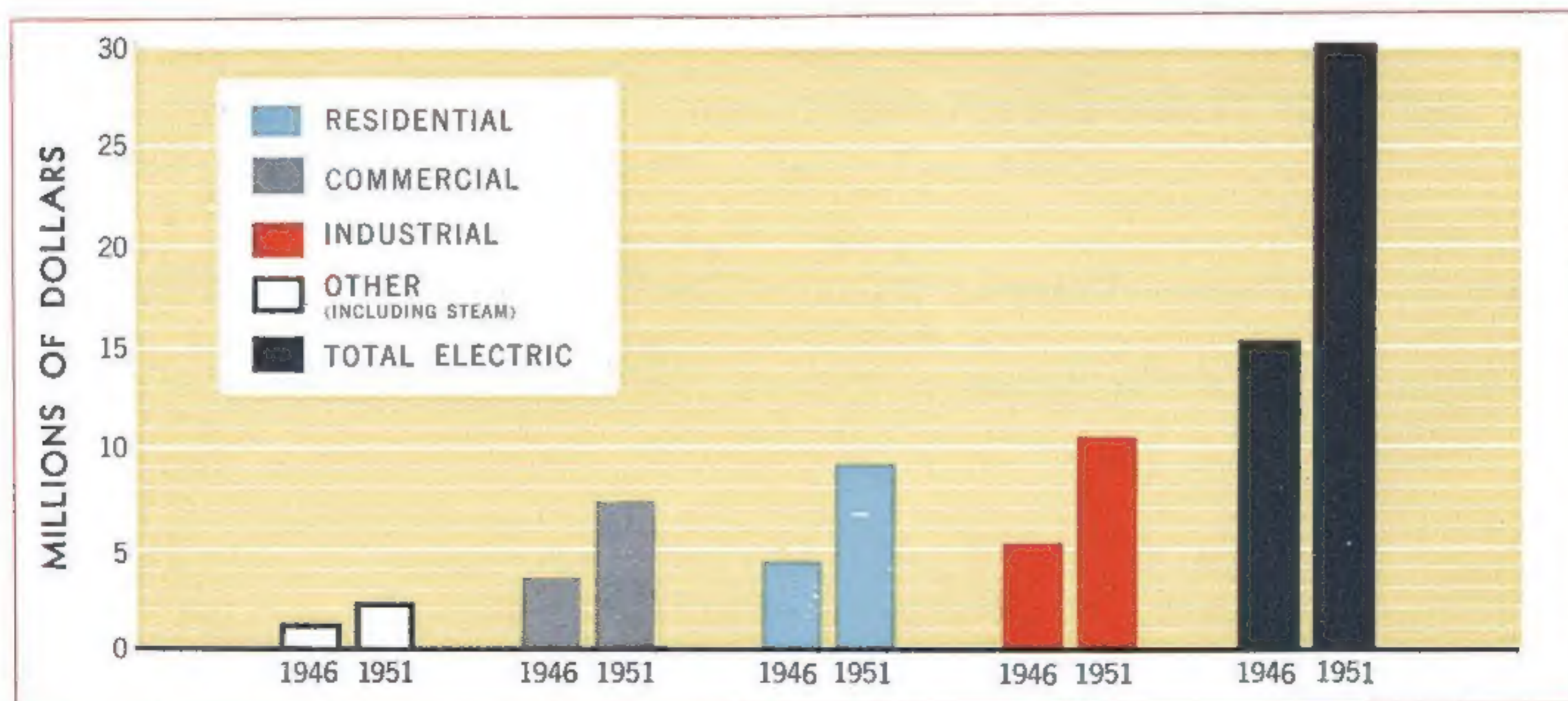
Business activity in the area served by the Company reached record levels during 1951. The increased demand for petroleum, chemical and agricultural products of the area to meet civilian and military requirements resulted in a high level of employment and purchasing power. The national defense program is a factor in this continuing business growth. It is reflected particularly in increased petroleum refining and transportation, and in synthetic rubber and other chemical production. Further material expansion of these vitally important industries to meet the needs of defense mobilization and civilian population are in progress and are planned for the immediate future. A high level of business activity is expected throughout 1952.

Total operating revenues in 1951 of \$32,847,291 were \$4,165,721, or 15%, greater than in the previous year. Electric revenues, representing 93% of the total, increased 14% and gas and water revenues increased 19% and 16%, respectively.

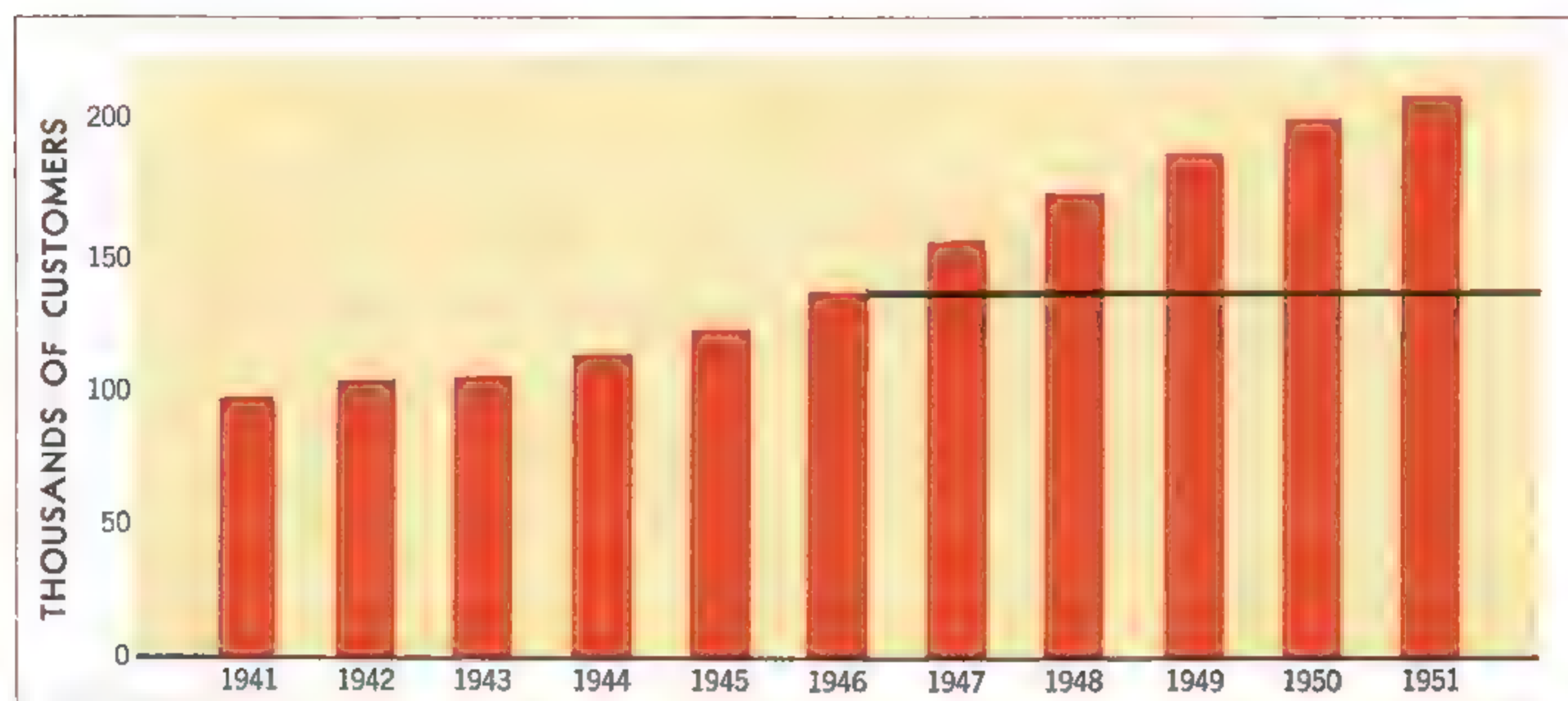
An increase of 22% in sales to industrial customers provided approximately one-half of the additional electric revenues and resulted principally from increased sales to the petroleum and chemical industries. Increased use of room air conditioning units, promotion of commercial lighting and electric cookery were important factors in increasing residential and commercial electric revenues by 13% and 8%, respectively. Total electric customers served at the close of 1951 amounted to 210,462, a gain of 9,436 over 1950.

Gas revenues increased \$276,472 as the result of adding 2,098 customers and an increase of 9% in the average annual consumption per customer.

TOTAL ELECTRIC REVENUES . . . DOUBLED IN FIVE YEARS



ELECTRIC CUSTOMERS . . . INCREASED 51% IN FIVE YEARS



The addition of 1,763 customers in 1951 to the water systems at Orange, Texas and Lake Charles, Louisiana and the extremely dry weather in the summer months brought about an increase of \$101,180 in water revenues. In October, 1951, the Company sold its small water properties at Navasota, Calvert and Franklin, Texas.

Total operation and maintenance expense increased \$1,976,781, or 16%, and amounted to 43.3% of operating revenues in 1951 compared with 42.7% in 1950. Operating pay roll, which absorbed 20% of total operating revenues, increased \$898,659 due principally to a 6% general wage and salary increase granted in the last quarter of 1950; four cost-of-living adjustments of 2½¢ per hour each which became effective during 1951 in accordance with the Company's labor agreement; and an increase in the number of employees required for the increased business and expanded facilities. Fuel purchased for electric power generation increased \$789,327 due to higher unit cost of natural gas used at the Neches Station and an increase of 14% in system kilowatt-hour output. The Company generated practically all of its system power requirements during the year for the first time since 1942 resulting in a reduction of \$533,393 in power purchase costs and, in addition, it was able to discontinue use of older and less efficient generating equipment. Other operating expenses increased \$486,473 as a result of the expansion of facilities and higher prices.

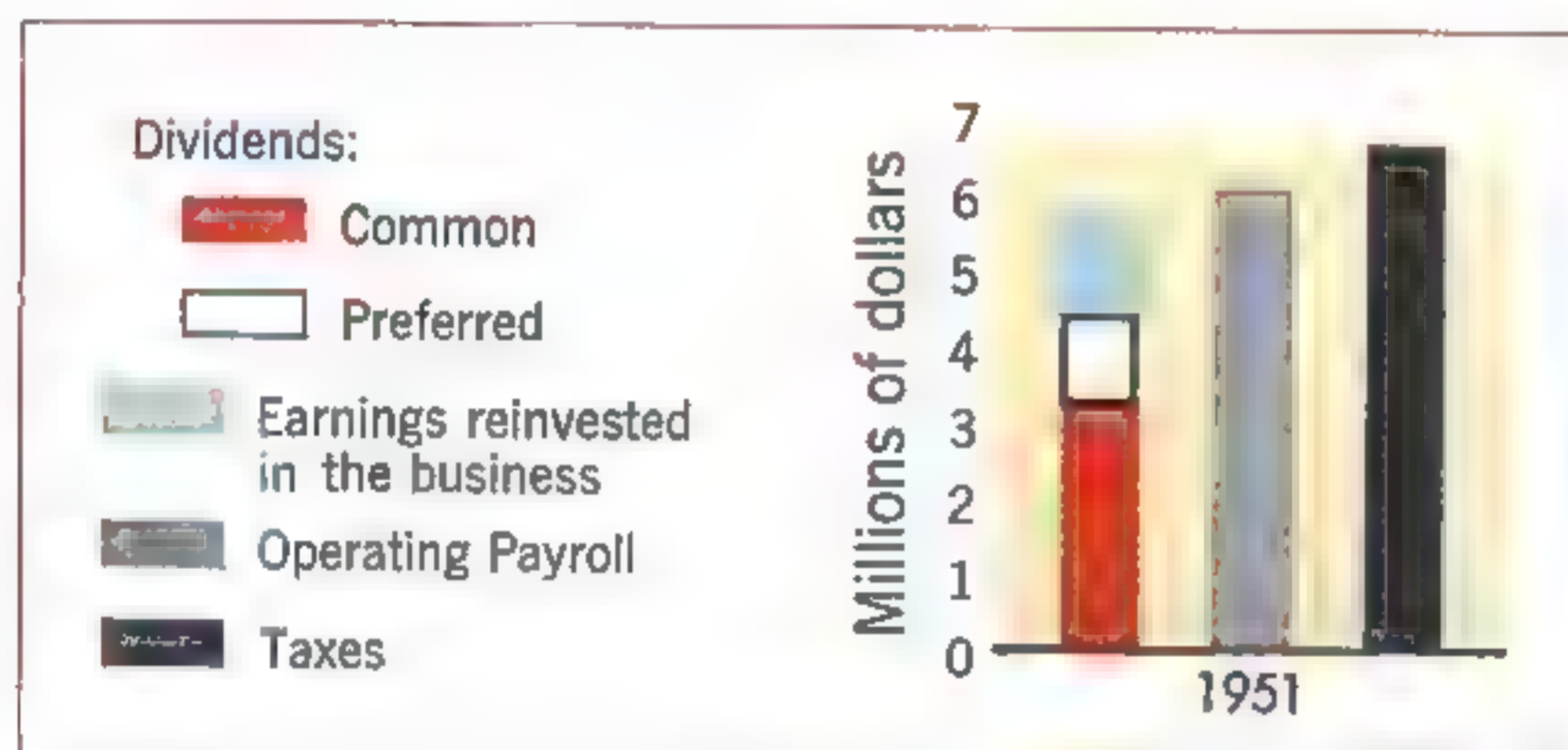
Maintenance material costs increased \$335,715 over 1950. The larger amount of property, higher prices and the performance of maintenance work which had been delayed because the facilities could not

be removed from service prior to 1951 pending completion of new units, and line damages caused by an ice storm account for this increase.

Charges for depreciation increased \$467,306 due to the installation of additional property.

Federal income taxes increased \$1,066,032 over 1950, of which \$711,685 is due to an increase from 42% to 50¾% in corporate income tax rates. It is encouraging that the Congress removed the highly discriminatory Federal 3⅓% Electric Energy tax imposed on electric service to homes and commercial establishments, effective November 1, 1951.

Total taxes charged against income during 1951 amounted to \$7,001,136, an increase of \$1,278,771, or 22% greater than 1950 and were the equivalent of \$2.43 per share of Common Stock compared with earnings of \$1.61 and cash dividends of \$1.20 per share.



The tax bill, the largest single item of expense, amounted to \$19,181 per day, exceeded the total operating pay roll by \$497,102, exceeded total cash dividends paid by \$2,278,035, absorbed 21¢ of each dollar of operating revenues and was the equivalent of free electric service for nine

months to the 182,000 home and farm customers served by the Company. The importance of taxes in the Company's operations is emphasized because they must be included in rates paid by the customers as part of the cost of service, whereas, Government owned and cooperatively owned businesses of many kinds, which are expanding rapidly, are virtually tax free. This tax differential represents a subsidy which threatens the continued existence of tax-paying, investor owned and managed companies.

Interest and amortization charges increased \$532,779, reflecting a decrease of \$339,915 in credit from interest on construction funds, and increase in interest on additional outstanding Bonds.

A full year's dividend on the 70,000 shares of \$4.20 Dividend Preferred Stock issued in November, 1950 accounts for the increase of \$280,933 in preferred dividend payments.

The balance for Common Stock and Surplus was \$4,653,575 as compared with \$5,044,846 in the previous year. Earnings per Common share on the 2,884,590 shares outstanding at December 31, 1951 were \$1.61 compared with \$1.85 on the 2,719,899 shares outstanding at December 31, 1950. Cash dividends of \$1.20 per share of Common Stock paid in 1951 amounted to 75% of the year's earnings after preferred dividends.

Power Supply

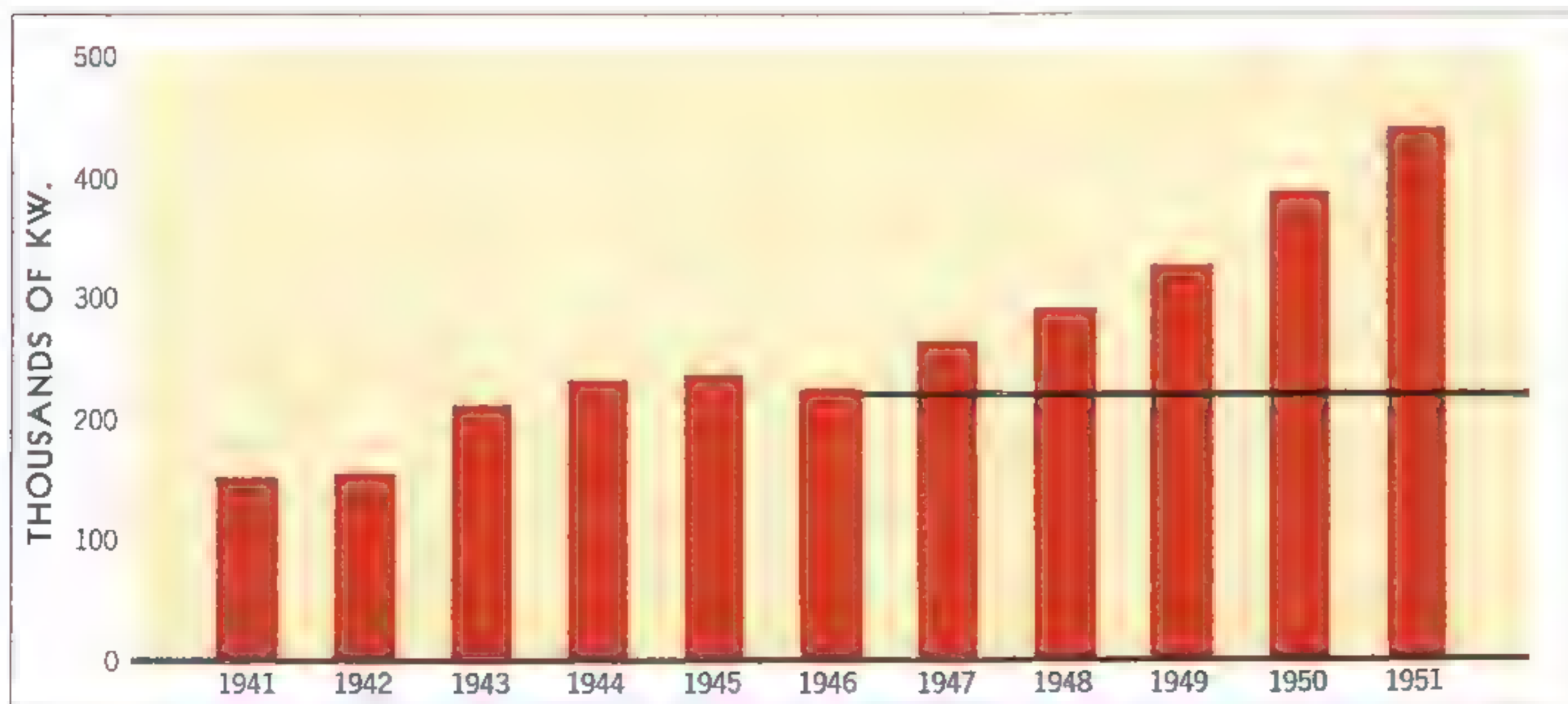
The tabulation below sets forth the name plate rating of the Company's principal generating stations at the end of 1950, additions placed in service in 1951 and those presently scheduled, expressed in kilowatts:

	December 31, 1950	Added in 1951	Scheduled			December 31, 1954
			1952	1953	1954	
Neches Station (Beaumont, Texas)	120,000	60,000	60,000	—	—	240,000
Louisiana Station (Baton Rouge, La.)	188,500	15,000	—	100,000	40,000	343,500
Riverside Station (Lake Charles, La.)	75,000	—	—	—	—	75,000
Nelson Station (Scott, La.)	—	—	—	—	60,000	60,000
Total	383,500	75,000	60,000	100,000	100,000	718,500

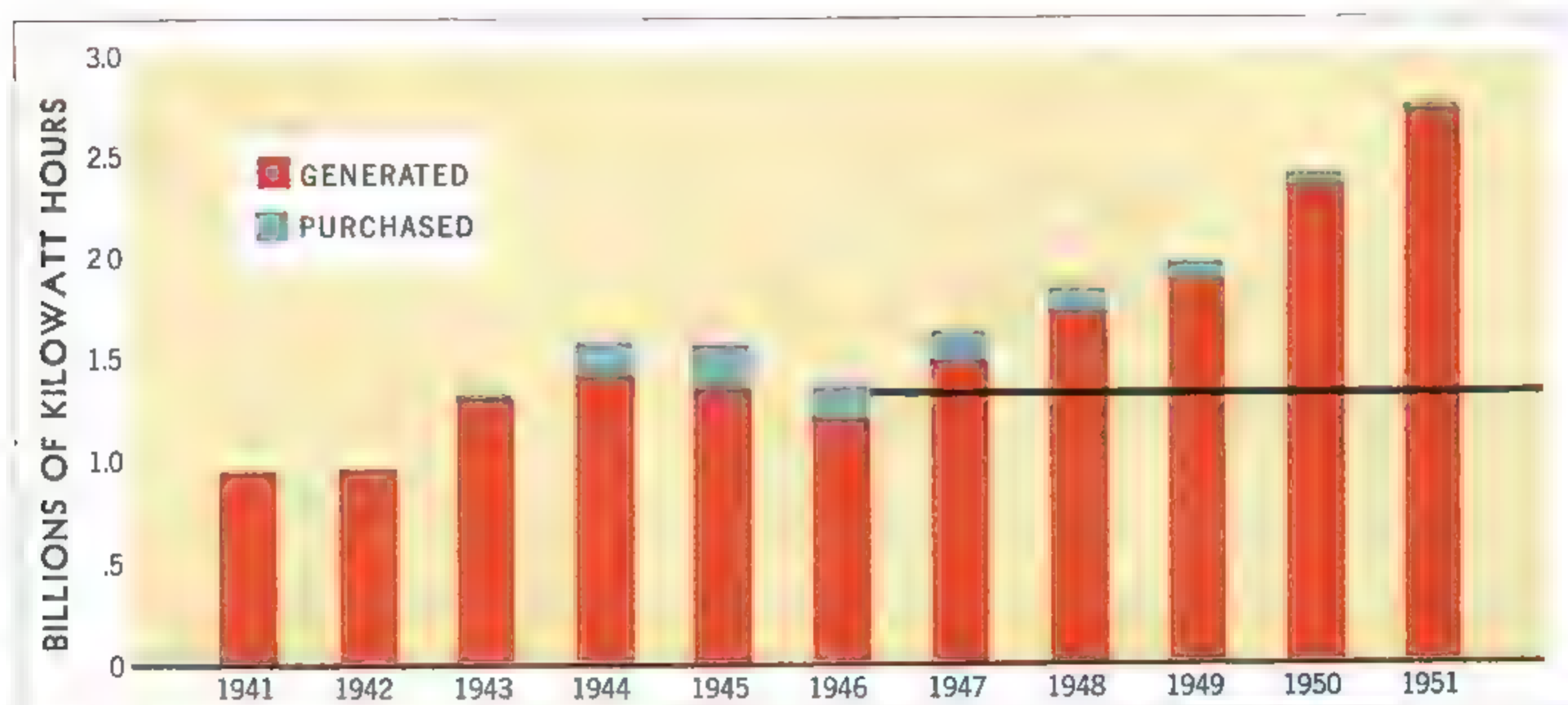
The total capability of the three major stations at December 31, 1951 was 494,000 kilowatts. Several smaller stations with a combined rating of 22,050 kilowatts are owned and operated as standby.

The Company has interconnections for emergency use with other utilities and industrial plants at four locations on its system. Joint facilities are to be installed in 1952 for two new and important interconnections on the eastern end of the Company's system with adjoining utility companies to permit the transfer of large blocks of power between the systems which will be mutually advantageous to the companies and their customers.

SYSTEM PEAK LOAD . . . DOUBLED IN FIVE YEARS



ELECTRIC ENERGY . . . DOUBLED IN FIVE YEARS



Natural gas is used exclusively as fuel in all generating stations except three small Diesel stations located in the western end of the system and at the Baton Rouge station where a minor portion of the fuel requirements is supplied in the form of refinery residuals. The fuel supply to the Baton Rouge station is covered by firm price contracts for fuel requirements through 1955. A contract is in effect covering fuel requirements at the Lake Charles station to August, 1957, with a firm price through April 30, 1953, when it becomes subject to adjustment based on the then existing price of gas in the field.

During the year 1951 the Company executed new favorable contracts for a dependable and adequate supply of natural gas for its Beaumont station for fifteen years.

Construction Program

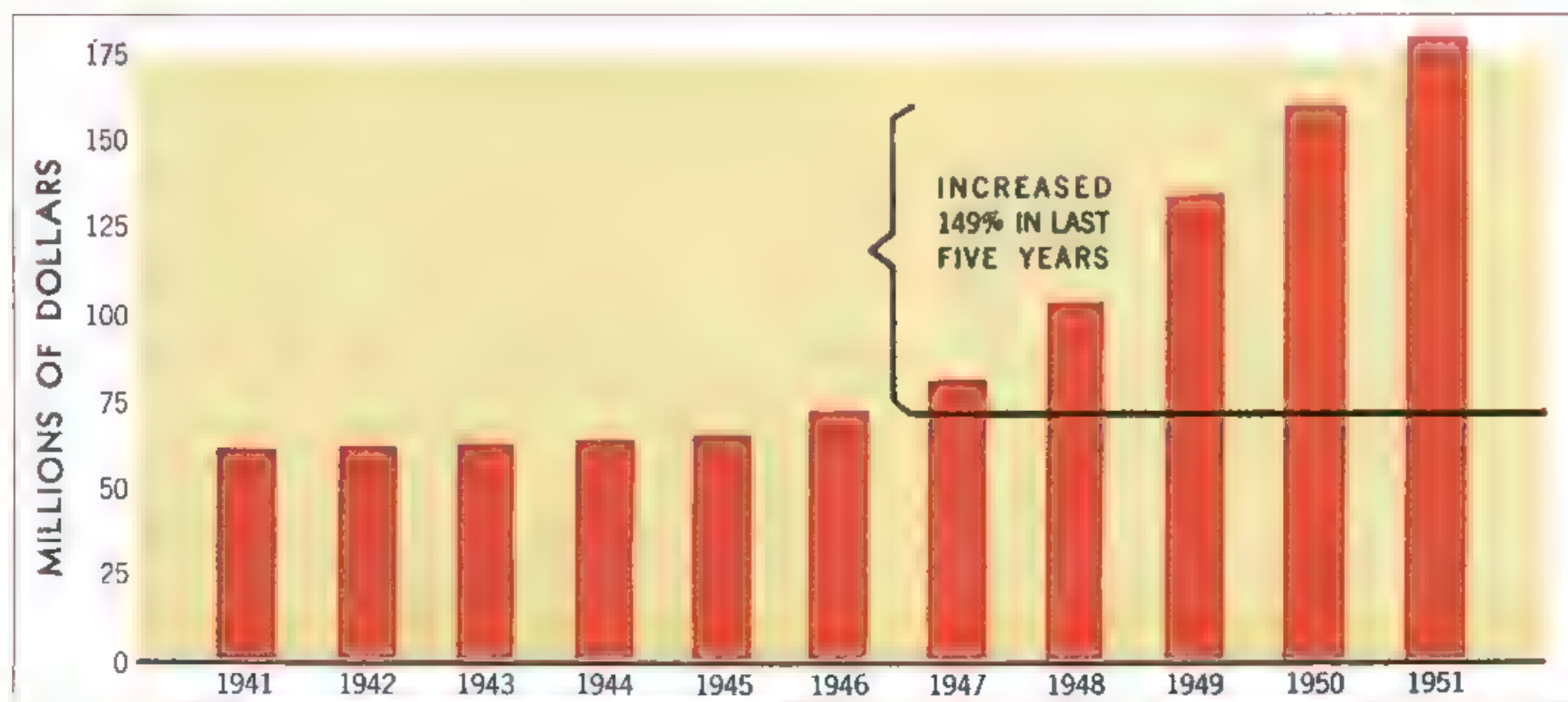
Rapid growth and development of the Company's service area continues to necessitate substantial expenditures for additions to and enlargement of facilities.

Additions to utility plant in 1951 amounted to \$21,016,164. Major items were \$7,245,425 for production plant additions and improvements, including \$4,929,429 at the Beaumont, Texas generating station for completion of one and toward the installation of another 60,000 kilowatt generating unit expected to be in service early in 1952 and \$2,127,102 at the Baton Rouge, Louisiana station principally for completion of a 15,000 kilowatt unit and toward the installation of a 60,000 kilowatt unit; \$11,908,884 for extensions and improvements to the electric transmission and distribution systems principally to provide for load increases and connecting new customers; and \$895,603 for land, buildings, and other electric department improvements. Extensions and improvements to the water and gas systems totaled \$485,956 and \$480,296, respectively.

Retirements in 1951 totaled \$1,555,750, of which \$976,855 was represented by electric property related principally to improvements to the transmission and distribution systems and \$550,434 for water properties retired at Calvert, Franklin and Navasota, Texas, which were sold on October 1, 1951. There was a net increase of \$19,460,414 in utility plant during the year.

Orders have been placed for four additional units totaling 200,000 kilowatts. Two of the units are scheduled for completion in 1953 at the

TOTAL UTILITY PLANT (*ELECTRIC GAS AND WATER*)



new CHEMICAL frontier

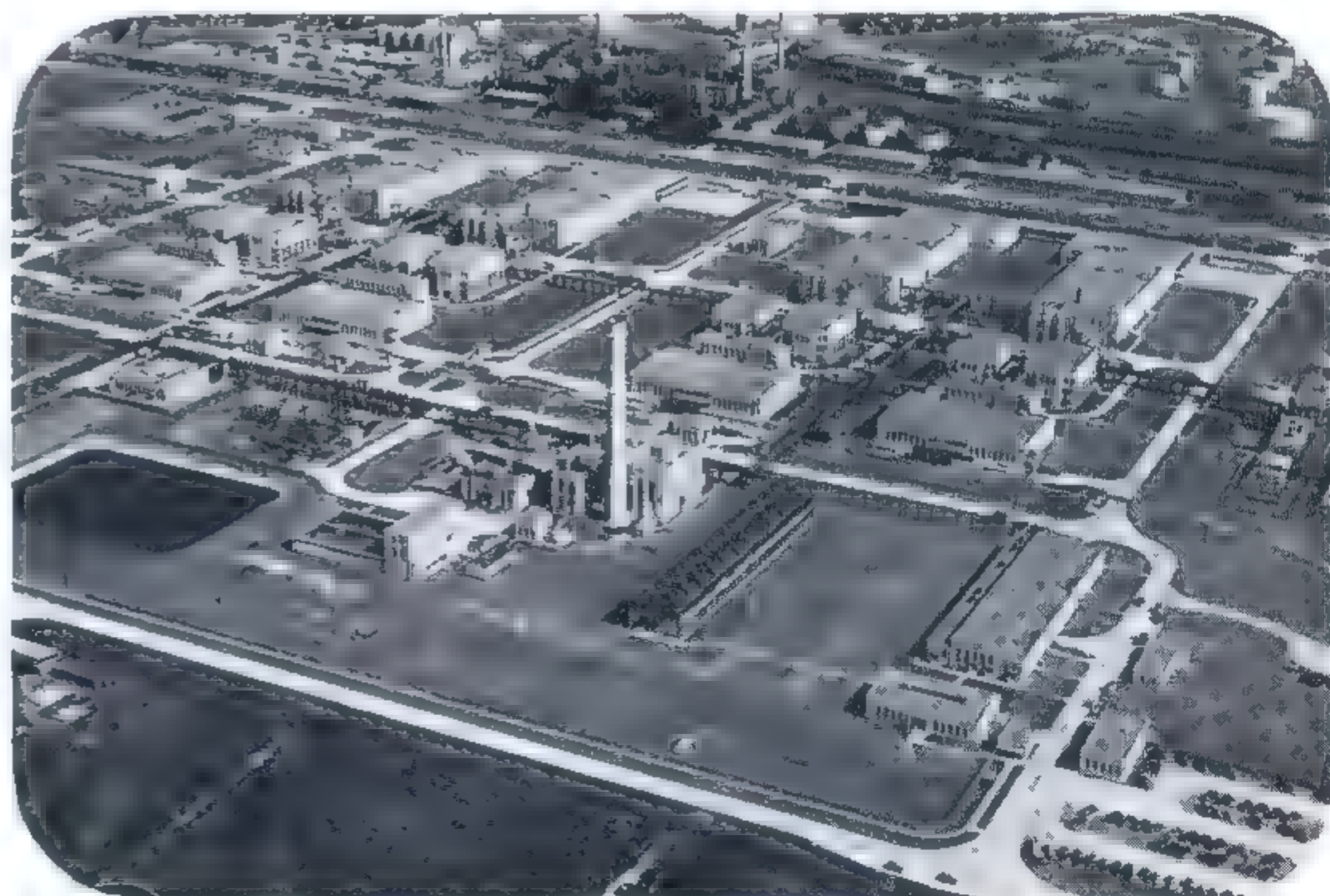


Mathieson Chemical Corporation, Lake Charles, La.



Consolidated Chemical Industries, Inc., Baton Rouge, La.

Over the past few years the petro-chemical industry of America has had its eyes on the Texas-Louisiana Gulf Coast region where a new chemical empire, pictured on these pages, has sprung up in the midst of other industrial expansion which was touched off by World War II. This region offers in a substantial degree those factors basic to the consideration of plant location. Here there exists a local atmosphere which is conducive to harmonious relations between the community and industry, rail and deep water transportation, an abundant supply of intelligent labor easily trained in the process industries, a plentiful supply of electric power, vast reserves of petroleum and natural gas, a favorable year around climate and large quantities of water. These factors, among others, were important considerations in influencing nationally known firms such as Cities Service Refining Corporation, Columbia-Southern Chemical Corporation, Consolidated Chemical Industries, Inc., E. I. du Pont de Nemours & Company, Firestone Tire and Rubber Company, B. F. Goodrich Company, Jefferson Chemical Company, United States Rubber Company, Mathieson Chemical Corporation and numerous others to establish plants in the Company's service area at a cost of hundreds of millions of dollars. As a continuation of industry movement to this petroleum region, a number of nationally known firms such as Allied Chemical and Dye Corporation, Davison Chemical Company, Solvay Process Company and others have acquired large acreage in the Company's service area to take care of projects currently in the planning stage which will create new sources of supply for National defense needs and civilian requirements. Only under a system of free enterprise can men exercise the vision and initiative essential to such progress.



Rubber Reserve Plant, Port Neches, Texas, operated by B. F. Goodrich Company and United States Rubber Company.



Columbia-Southern Chemical Corporation, Lake Charles, La.



Jefferson Chemical Company, Port Neches, Texas.



Solvay Process Company, Baton Rouge, La.



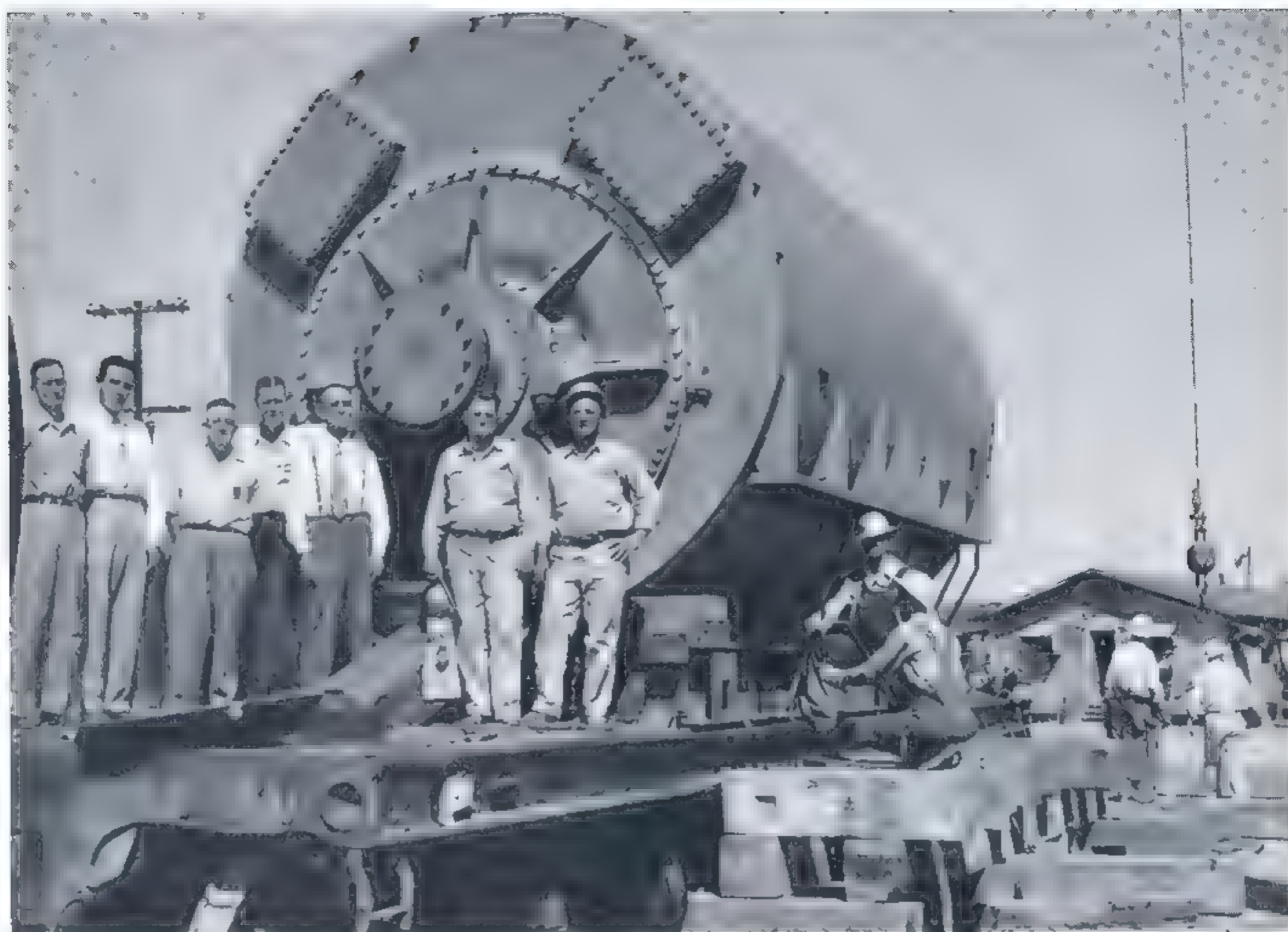
Firestone Tire and Rubber Company, Lake Charles, La.



Cities Service Refining Corporation, Lake Charles, La.



E. I. du Pont de Nemours & Company, Orange, Texas.



A 60,000 kilowatt generator, shown above, as an addition to the Neches Station, Beaumont, Texas, will raise the station's war-time name plate rating of 80,000 kilowatts to 240,000 kilowatts.

Baton Rouge Station; one of 60,000 kilowatts capacity in April and the other of 40,000 kilowatts capacity in December. The other units, scheduled for completion early in 1954, are represented by one of 40,000 kilowatts capacity to be installed in the Baton Rouge Station, and another of 60,000 kilowatts capacity to be installed in the new Nelson Station near Scott, Louisiana. Upon completion of these units the combined generating capability of the Company's stations will be approximately 806,000 kilowatts. In addition three 500,000 lbs. per hour steam boilers are scheduled for completion early in 1953 in the Baton Rouge Station to supply the increased steam requirements of the Esso Standard Oil Company and the Ethyl Corporation.

The construction program for the years 1952 to 1954, inclusive, is estimated to require approximately \$78,500,000, of which \$25,500,000 has been scheduled for 1952. Of this latter amount \$16,286,000 is to complete projects started prior to 1952 and the remainder of \$9,214,000 is for new projects to be commenced during the year. The estimate is subject to many uncertain factors including cost fluctuations and delivery of equipment. The major transmission system program has been completed and efforts are being intensified toward providing adequate subtransmission facilities and distribution centers.

Sales Promotion

Under the Company's program of full cooperation with appliance dealers, distributors and manufacturers, 1951 sales promotion results were highly successful. Local dealers throughout the system seem most pleased to cooperate in Company promotion and sales plans. Special sales campaigns were conducted system-wide during the year to stimulate sales of electric laundry equipment, air conditioning units, electric ranges, water heaters and small appliances.

The average amount of electricity used per residential customer during 1951 increased 155 kilowatt-hours, or over 10%, as compared to 1950. This unusually large increase was due principally to a very rapid spread in the popularity and use of room air conditioning units. This load is expected to continue increasing at an exceptionally rapid rate for the next few years.

Home service department activities were likewise impressive. More than 5,000 home calls were made by home economists. They gave 272 school demonstrations, attended by over 8,000 students, and 160 public lectures, attended by 6,814 housewives.



Gulf States Home Economists Demonstrate the Advantages of Electric Living to Future Customers

The Company continued to work with colleges and universities, county agricultural agents, 4-H Clubs, and Future Farmers of America to improve electric service to farm and rural customers. Farm representatives demonstrated farm equipment application at 79 meetings, attended by some 2,000 vocational agriculture students and 4-H Club members. Farm and rural electrification in the area served is well ahead of the national average, even though this is not a densely populated area.

Industrial sales engineers worked closely with existing, expanding industries as well as with new prospects, and industrial power sales reflected substantial growth. Seventeen loads of 500 kilowatts or more, totaling 43,300 kilowatts, were added to the system during 1951.

Promotion of commercial electric cookery and improved commercial lighting are continuous activities, and great progress is being made. A number of schools are turning to electricity for cooking in their cafeterias. Lighting engineers cooperated with architects, builders, and electrical contractors, advising and helping them plan improved lighting installations. Municipal sales, particularly in street lighting where revenues increased 23%, were substantial. The case of Baton Rouge was outstanding, where 2,400 new street lights were installed in the past three years. Mercury vapor lamp installations on two of that city's most heavily traveled traffic arteries are among the finest in the country.

The application of electricity to commercial cooking insures uniform results.



Luminous ceiling in showroom of Beaumont, Texas electrical appliance dealer is typical of planned lighting designed and promoted by Company Lighting Engineers.



Extension of Rural Lines and Services

During 1951 the Company constructed 327 miles of rural type lines as a continuation of its program of rural electrification and connected 3,000 new farms, ranches and other customers living outside the corporate limits of cities and towns. Approximately 95% of the farms and ranches within the Company's service area now have electric service, including those customers served by rural electric cooperatives.

Personnel

Employees at the end of 1951 totaled 2,243, of whom approximately 37% have had ten years or more of service.

Through a training program conducted by the Company, new employees are given general information about Company policies and practices as well as specialized training in their individual work.

Prospective employees are interviewed by the Personnel Department



Monthly meetings of supervisory employees are held for discussion of matters of importance and general interest. These meetings are a means of providing all employees through their supervisors with up-to-the-minute answers to various questions. Among the matters brought up for discussion are the Company's public relations; its current earnings position; the progress of the current construction program; plans for the issuance and sale of additional securities; employee relationships and safety; the character of service rendered customers and methods for its improvement; and the state of business in the territory served.

The Company participates with the employees in plans providing retirement annuities, group life insurance and hospital, surgical and sickness benefits.

The Company has a military leave policy whereby employees with at least one year of service who leave for mandatory military duty in the armed forces will receive three months' pay less compensation received from the government. Other modified benefits are included in the plan. By the end of 1951 a total of 78 employees had gone into military services. Efforts are being made through recruitment and long-range planning to avoid as much as possible the need to seek deferments of others who are expected to be called to the armed forces.

Gulf States Employees Association, an independent union, is the bargaining agent for employees below the rank of supervisor. Negotiations for a new contract to replace the one expiring April 15, 1952 are now in progress. The present labor agreement, which was executed in October, 1950, included provisions for a cost-of-living bonus whereby pay of employees represented by the union was to be increased or decreased $2\frac{1}{2}\text{¢}$ per hour for each 3 point change from the October 15, 1950 Consumers' Price Index of the United States Department of Labor, with no decrease being made in the base pay established October 15, 1950. Under this clause the pay of employees represented by the union was increased a total of 10¢ per hour in 1951 in the following steps: $2\frac{1}{2}\text{¢}$ per hour effective February 4, 1951, March 4, 1951, April 1, 1951 and November 25, 1951. Salaries of supervisory and administrative employees were also increased by approximately the same amount.

Accident Prevention

Continued emphasis on accident prevention has resulted in three outstanding safety awards—two National and one Regional as follows:

The Beaumont, Texas, Operating Division received the Edison Electric Institute award for completing over 1,000,000 injury-free man hours covering approximately a seven months' period.

The Baton Rouge, Louisiana, Meter and Service department received the Edison Electric Institute award for completing 1,000,000 man hours without a disabling injury. Fifteen years were required to attain the necessary man hours to receive this award.

The Gas Department, also located at Baton Rouge, Louisiana, received the Southern Gas Association award for completing 500,000 man hours without a disabling injury. This department has worked five years and is close to one million man hours worked without a disabling injury.

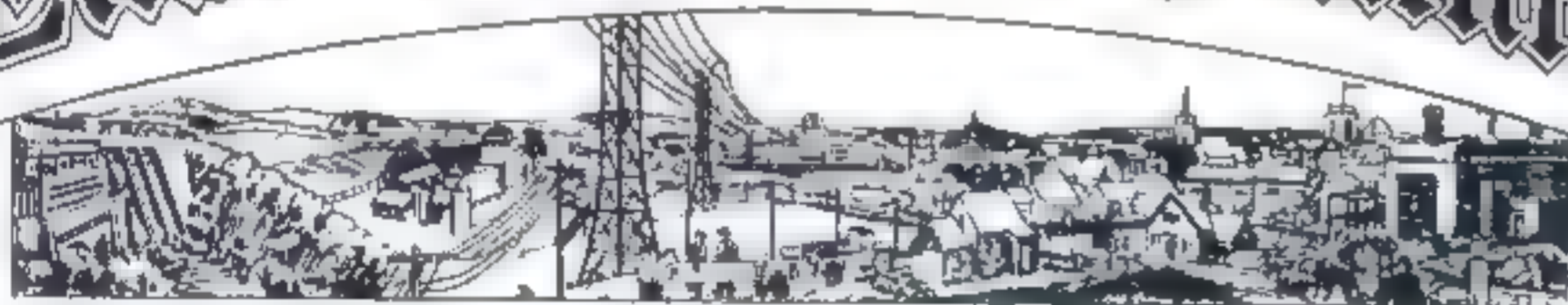
The injury experience for the year compared to the National rate was as follows:

Frequency Rate	4.9	National Rate	11.47
Severity Rate	1.32	National Rate	1.96
Motor Vehicle Accident Rate	1.01	National Rate	1.87

Safety Merit Award to Beaumont Texas Division in recognition of over 1,000,000 injury free man hours.

Safety Achievement Award to Baton Rouge, Louisiana Gas Department for completing 500,000 man hours without a disabling injury. The Gas Department is approaching 1,000,000 man hours without a disabling accident.

Edison Electric Institute



Safety Merit Award TO

Gulf States Utilities Company
Beaumont Division

Beaumont, Texas

For Outstanding Achievement in Accident Prevention

*Employees worked from Dec. 27, 1950 to Aug. 14, 1951
a Total of 1,125,350 Consecutive Man Hours
without a disabling Injury Accident*

James T. Coatsworth
Secretary,
Prize Awards Committee

George M. Gadeby
President

Safety Achievement Award

Presented to the Employees of
Gas Department
Gulf States Utilities Company

OUTSTANDING ACCOMPLISHMENT IN
WORKING WITHOUT A DISABLING INJURY

500,000

CONSECUTIVE MAN HOURS

January 16, 1947 - January 1, 1951



Southern Gas Association



Vice President George R. Fulton presenting nationally recognized award of Edison Electric Institute to Leonard H. Ernst, Lake Charles, Louisiana Substation Department foreman who saved life of fellow worker by resuscitation after electric shock.

The efforts in accident prevention during the past year were directed along the same pattern as the previous year—education, merit awards and discipline.

The educational program consisted of monthly safety meetings for all operating personnel and the use of safety bulletins, posters and literature. Topics for the safety meetings included work methods, knowledge tests in the form of quizzes, reviewing past accidents, films on related work and motor vehicle operation training.

The merit award program consisted of presenting “No Injury Awards” to each employee in the operating departments who completed the calendar year with no disabling injury. “Safe Driver Awards” were presented to each operator of a motor vehicle who operated cars or trucks during the year without a chargeable accident. Contests were in effect in all operating departments; teams were chosen and at the end of six month periods the members of the winning team received individual awards. Certificates were given each crew foreman and each department which completed the year without a disabling injury.

The discipline program consists of thorough investigations of each serious accident and injury or reported violation of established safety rules and practices. The findings of these investigations are passed on to an executive committee whose duty it is to determine whether or not discipline is indicated and, if so, recommend the severity of the penalty.

Rates

The Management has been alert to the ultimate effect on the Company of the phenomenally rapid business expansion in the Gulf Coast area. During the six years through 1951, the Company's investment in utility plant has increased by 175% which of course means that over one-half of this Company's equipment has been installed at inflation prices. This circumstance of forced expansion and continually increasing operating costs and taxes coupled with rates that are below the 1941 level was bound to affect the Company's earnings adversely.

Early in 1951 the Company's studies showed that electric net earnings were decreasing and indicated that the Company was entitled to a rate increase.

On May 31, the Company, for the first time in its history, filed an application with the Louisiana Public Service Commission requesting an increase of 20% in all of its electric rates excepting rates for resale and certain municipal services. Since there is no state public service commission in Texas, similar applications were filed with the various municipal authorities having jurisdiction. Following formal hearing before the Louisiana Public Service Commission on October 31, 1951, the Commission issued its order in the matter on February 15, 1952. That order denied the Company any rate relief whatsoever.

The Company has filed a suit in the District Court at Baton Rouge, Louisiana, seeking to have the Commission's order set aside and for permission to increase the rates as prayed for in its application to the Commission, and the Company is seeking favorable action on its petitions by the several municipalities in Texas.

Competition

The Company's electric business is virtually free from direct competition with other utilities or municipalities except in two small towns having an estimated combined population of 6,400. In each of these the Company continues to serve approximately one-half of the customers. A number of rural electric cooperatives, sponsored by the Rural Electrification Administration, are operating within or adjacent to the service area of the Company. The Company furnishes power to eleven of these cooperatives.

The Southwestern Power Administration, an agency of the Department of the Interior, has been charged with marketing hydro-electric power being produced and to be produced from certain multiple-purpose projects in the southwest area. The Company, along with a number of other electric utility companies, has objected to the program of the





PRINCIPAL CITIES AND TOWNS SERVED BY

GULF STATES UTILITIES COMPANY

ELECTRIC SYSTEM WITH PRINCIPAL INTERCONNECTIONS TO OTHER SYSTEMS

LEGEND

- | | | | |
|--|---|--|--|
| | TRANSMISSION LINES 138-69 KV. | | STEAM GENERATING STATIONS |
| | TRANSMISSION LINES 34.5 KV. | | OIL GENERATING STATIONS |
| | PRINCIPAL DISTRIBUTION LINES 13 KV AND BELOW. | | PRINCIPAL SUBSTATIONS |
| | OTHER UTILITY SYSTEMS | | COMMUNITIES SERVED (POP. 1000 AND OVER EXCEPT THOSE IN METROPOLITAN AREAS) |
| | PRINCIPAL INTERCONNECTIONS | | COMMUNITIES SERVED AT WHOLESALE |

SCALE OF MILES

0 5 10 15 20

DATE: DECEMBER 31, 1951

Southwestern Power Administration to build a network of transmission and distribution lines to distribute power from these projects to so-called "preferred customers" and others on the grounds that a great portion of such proposed construction would duplicate existing similar facilities, and that such additional transmission and distribution facilities as are required from time to time should be provided by the companies in the area.

The Company has joined with eleven other companies in the Southwest in signing a contract which has been negotiated with the Southwestern Power Administration providing for the sale of all power and energy produced at multiple-purpose projects in the southwest area, excluding certain projects, the output of which has been or will be covered by other sales agreements. This contract is now before the Secretary of the Interior for approval.

This contract provides for integration of the companies' lines and generating plants with the power plants and transmission lines of the Southwestern Power Administration. It also provides for delivery of power and energy for the account of the government to all "preferred customers" (that is, public bodies and rural electric cooperatives) in the entire area served by the twelve companies, if such "preferred customers" desire to purchase power and energy from the government at rates set by the government.

Financing

Of the total capital expenditures required for additions to the Company's physical plant in 1951, approximately \$7,000,000 was available from funds on hand at the beginning of the year and from depreciation reserves and income not distributed as dividends. The remainder of the requirements was financed by the issue and sale, at competitive bidding, of:

164,691 additional shares of Common Stock in May, 1951, for.....	\$ 3,500,000
\$10,000,000 principal amount of First Mortgage Bonds, 3⅜% Series due 1981 in November, 1951, for	10,210,000
	<u>\$13,710,000</u>

At the end of 1951 the Company's capitalization of \$159,987,181 consisted of \$87,900,000 long-term debt and \$72,087,181 equity capital. The Company expects to sell additional securities in 1952 to finance a portion of its current construction program.

Ownership of the Company

At the close of the year 1951 the ownership of the Company rested in the hands of 12,569 individual and institutional Stockholders residing in every state and in several foreign countries. In the two States in which the Company operates, 2,362 Stockholders own 321,117 shares.

As of December 31, there were 10,484 Common Stockholders, of whom 5,139 held less than 100 shares each. Among the Stockholders are insurance companies and other corporations as well as banks, the latter holding stock as fiduciaries and trustees for the benefit of many thousands of individuals. Other important ownership rests in churches, hospitals, charitable institutions and colleges.

85% of the Common Stockholders are individuals with average holdings of 133 shares as set out in the following tabulation which shows the diversified character of the ownership and reflects the interest of all classes of investors in the Common Stock of Gulf States Utilities Company.

Classes of Common Stockholders	Stockholders		Shares Held		Average Holding Shares
	Number	%	Number	%	
Women	4,230	40.3	521,158	18.1	123
Men	3,990	38.1	613,399	21.3	154
Joint Accounts	682	6.5	49,498	1.7	73
Subtotal of Individuals.....	8,902	84.9	1,184,055	41.1	133
Trustees, Trust Funds and Estates....	867	8.3	217,232	7.5	251
Partnerships, Pension Funds, Insurance Companies, etc.....	520	5.0	1,350,438	46.8	2,597
Charitable Institutions, Hospitals, Churches, Schools, etc.	150	1.4	101,602	3.5	677
All Others	45	.4	31,263	1.1	695
Subtotal of Institutional Investors	1,582	15.1	1,700,535	58.9	1,075
TOTAL	10,484	100.0	2,884,590	100.0	275

General Information

Business

The Company is engaged principally in the business of generating, distributing and selling electric energy in southeastern Texas and in south central Louisiana, an area having an estimated combined population of 714,500, and comprising approximately 28,000 square miles. Its system extends from Deansville, Texas on the west to Holden, Louisiana on the east, a distance of over 350 miles. This area includes the cities of Beaumont, Port Arthur and Orange, Texas, and Baton Rouge, Lake Charles and Jennings, Louisiana. In addition the Company sells for resale electric energy to 8 municipal systems serving a total population of approximately 29,500. Electric energy is also sold to one other utility system, and 11 rural electric cooperatives. All of the Company's electric system is interconnected.

In Baton Rouge, Louisiana, the Company operates a specially designed steam-electric plant to furnish steam and electric energy to Ethyl Corporation and Esso Standard Oil Company. These large customers are served under long-term contracts which together provide for the furnishing of electric energy up to 124,200 kilowatts and steam up to 1,890,000 pounds per hour. Although formal contract amendments have not been finally settled, the Company has reached preliminary agreement with Ethyl Corporation and Esso Standard Oil Company increasing the combined contract electric demand to 160,800 kilowatts and the combined contract steam demand to 2,875,000 pounds per hour.

Natural gas is purchased and distributed in the City of Baton Rouge and vicinity, serving an estimated population of 130,000. The Company supplies water in 2 communities with an estimated combined population of 90,500. On October 1, 1951, the Company sold its small water properties at Navasota, Franklin and Calvert, Texas. During 1951 approximately 58% of total operating revenues was obtained in Louisiana and 42% in Texas.

Major economic factors in the territory served are a favorable year-around climate, water transportation, and the availability of large supplies of oil, natural gas, sulphur, salt and other natural resources.

The territory served includes districts where rice, cotton and sugar cane are grown. Cattle and lumber are other important products of the territory. Production of synthetic rubber and other chemicals are substantial industries. The chemical industry, which depends so largely on the existence of abundant supplies of oil and natural gas, has expanded greatly in the past eleven years so that it now ranks as one of the most important in the area.

Regulation

The rates of the Company in Texas are subject to the jurisdiction of municipal authorities and, as to all rates, including those in unincorporated towns and rural areas, the District Court has authority to declare unlawful an extortionate or unreasonable rate. In Louisiana, a statute provides that the Louisiana Public Service Commission shall have jurisdiction over the rates and service of local public utility companies, and the Company's electric rates are filed with that body. There is some question, in view of certain provisions in the Louisiana Constitution giving such jurisdiction to some municipalities, as to whether the aforesaid statute is constitutional as applied to such municipalities.

The Company is subject in certain of its activities to the provisions of the Federal Power Act which provides that the Federal Power Commission shall have jurisdiction over the business of and facilities for transmission of electric energy in interstate commerce; the issuance and acquisition of securities, and other matters.

Franchises

The Company conducts an electric business in 288 communities in Texas and Louisiana of which 72 are incorporated cities and towns.

The expiration dates of electric franchises in incorporated communities with population of 5,000 and over, and the estimated population within the corporate limits of such communities, are as follows:

<u>Community</u>	<u>Estimated Population</u>	<u>Date of Expiration</u>
TEXAS		
Beaumont	101,000	June, 1963
Port Arthur	59,800	August, 1975
Orange	20,900	April, 1964
Huntsville	10,400	October, 1977
Conroe	8,000	November, 1977
Cleveland	6,500	October, 1973
Port Neches	6,400	October, 1955
Navasota	5,700	May, 1974
LOUISIANA		
Baton Rouge	135,500	February, 1988
Lake Charles	47,800	April, 1972
Jennings	10,600	June, 1973
Sulphur	7,500	May, 1972
Jackson	6,800	October, 1971

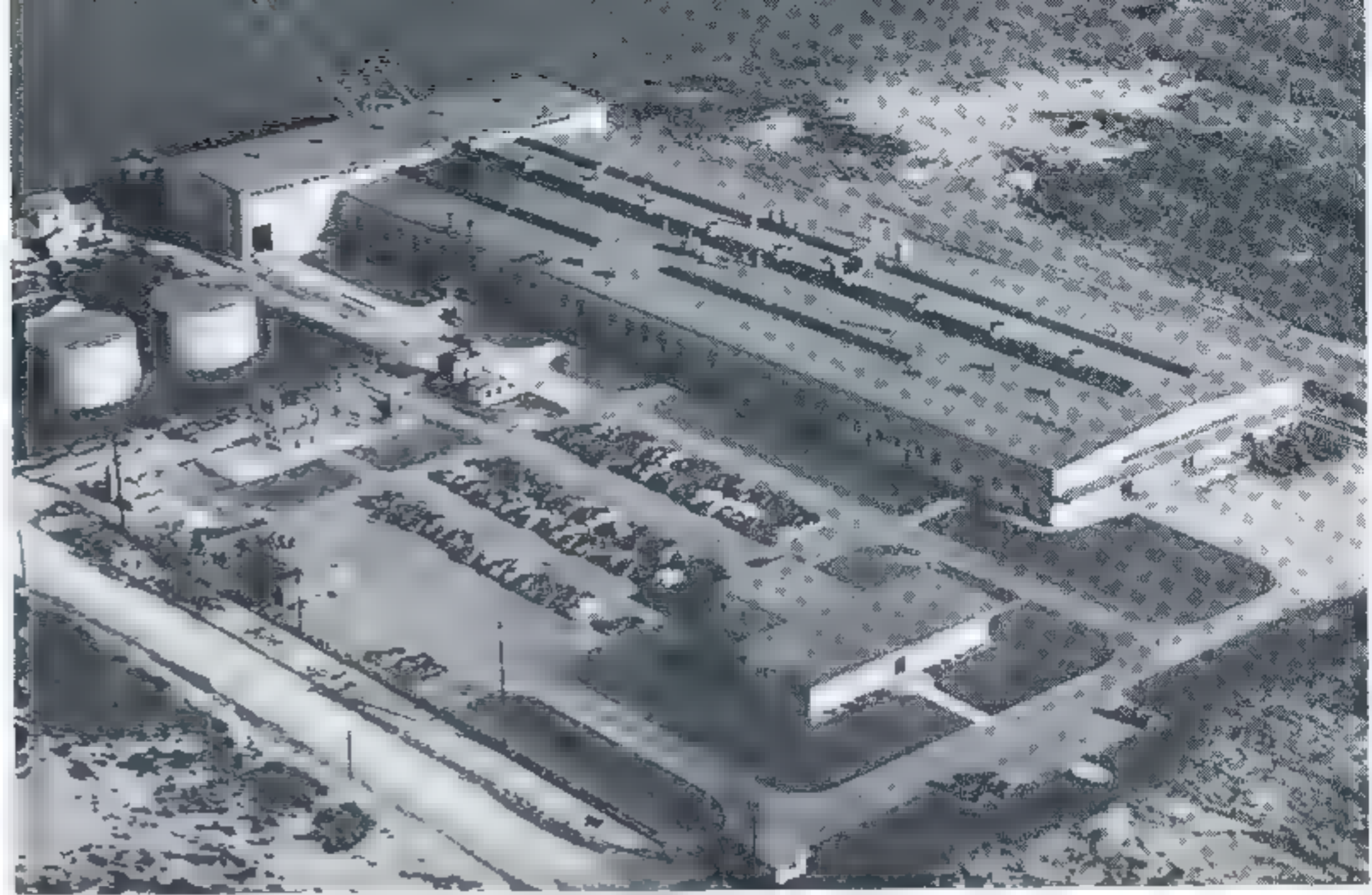
The gas business is conducted within the City of Baton Rouge, Louisiana, under a municipal franchise which expires November 15, 1967, and in the area adjacent to that city under a parish-wide franchise which expires in 2024.

The Company conducts the water business in Lake Charles, Louisiana and Orange, Texas under municipal franchises expiring in 1972 and 1968, respectively.

AREA GROWTH



Pure Oil Refinery, Port Neches, Texas, like other refineries in the area, has extensive construction under way to improve products, speed production.



United States Steel Company, Products Division Plant, Port Arthur, Texas



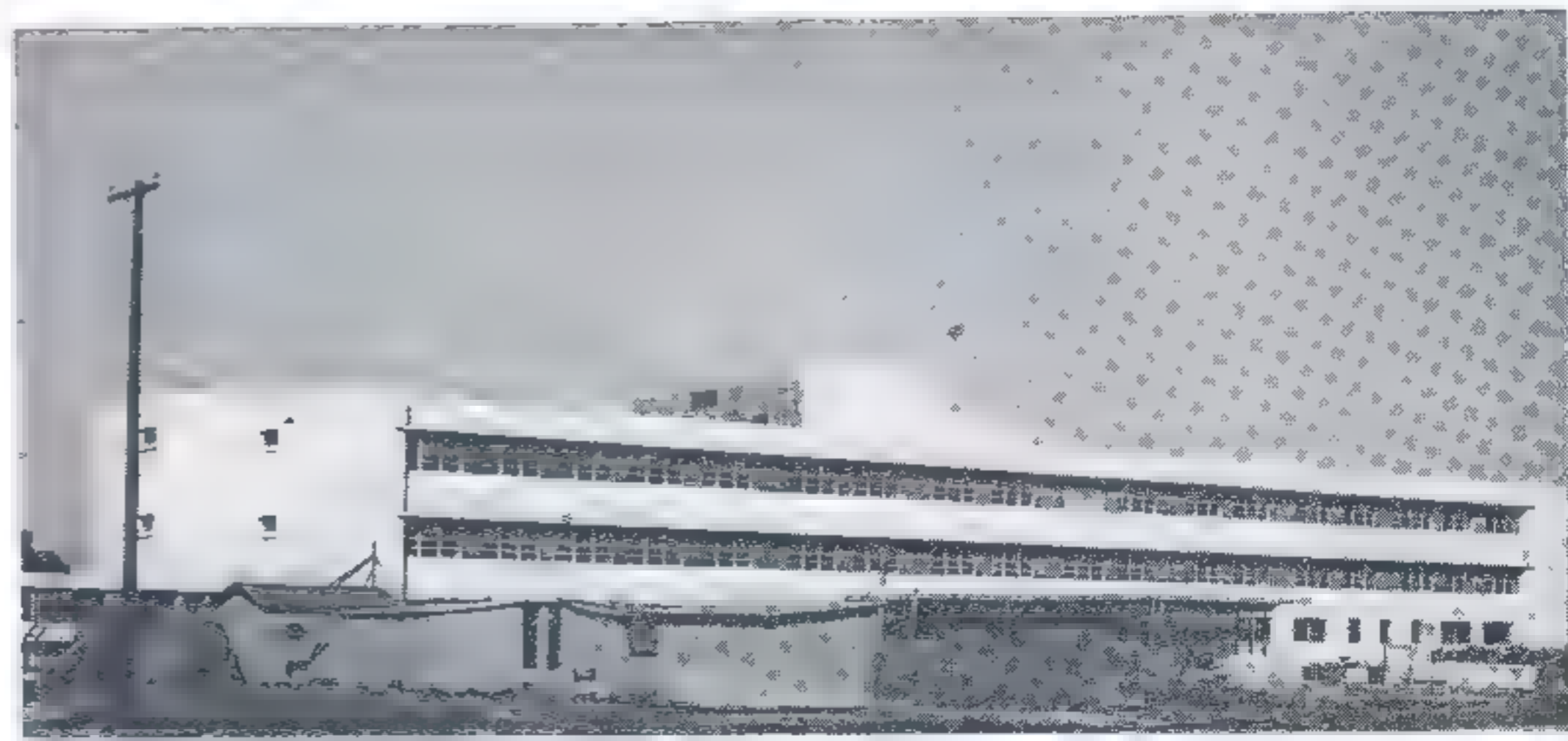
Engineering Building, Lamar State College of Technology, Beaumont, Texas

All electric rice dryer, Lake Charles, Louisiana



Belmont Park Housing Project, Orange, Texas

Lake Charles Memorial Hospital, Lake Charles, Louisiana



Projects Completed or in Progress During 1951 in the
Company's 28,000 Square Mile Service Area



Kopper's Chemical Company, Port Arthur, Texas



New residential area, Baton Rouge, Louisiana

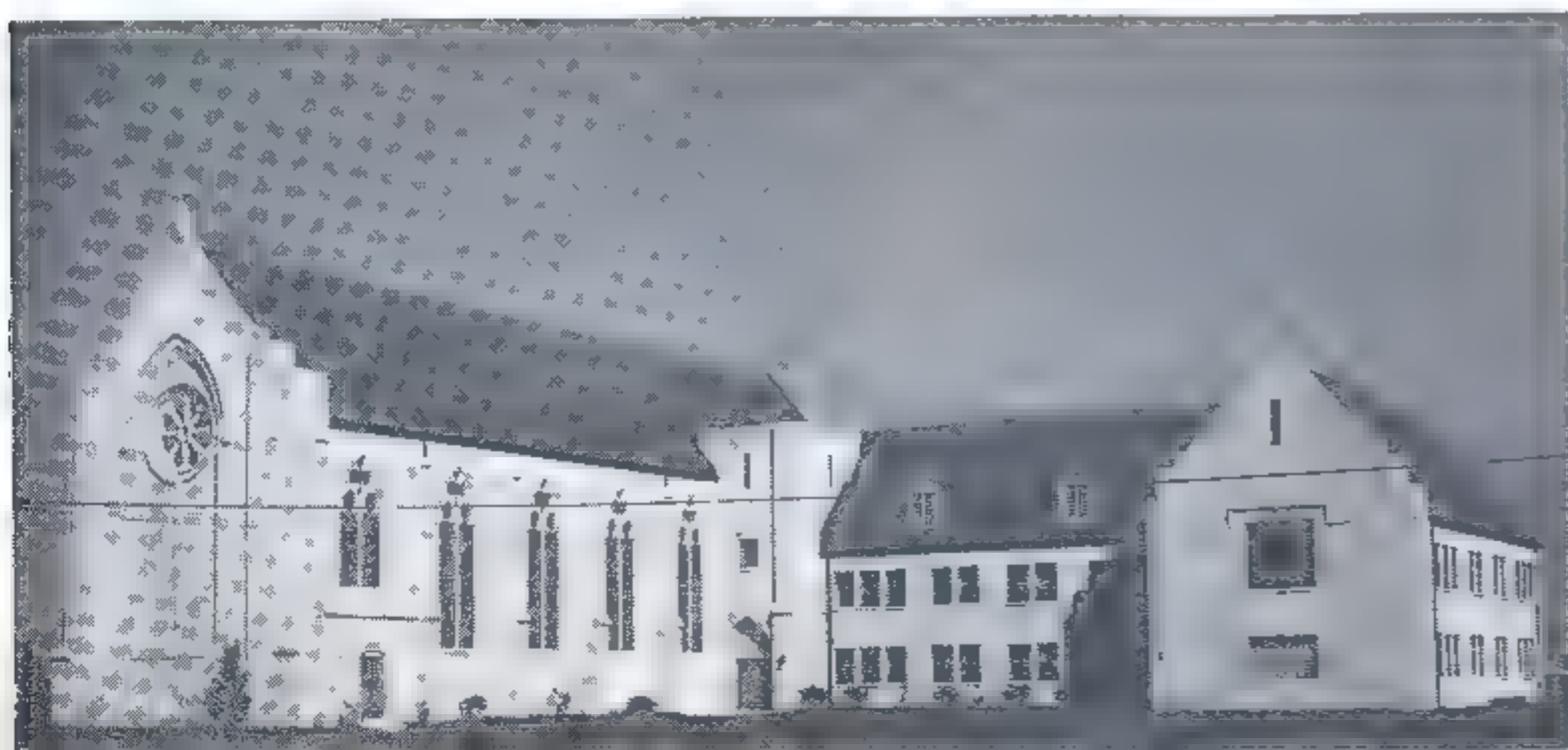


New Men's Dormitories, Louisiana State University, Baton Rouge, Louisiana



Highway bridge across Sabine River near Orange, Texas

First Presbyterian Church, Lake Charles, Louisiana



Texas Gulf Sulphur Company, Beaumont, Texas



GULF STATES UTILITIES COMPANY

COMPARATIVE

ASSETS

PLANT AND OTHER INVESTMENTS:	Dec. 31, 1951	Dec. 31, 1950
Utility plant (including intangibles):		
Electric plant, at original cost.....	\$165,996,910	\$146,914,665
Other utility plant, at cost.....	10,462,862	10,074,096
Plant acquisition adjustments(a).....	3,209,451	3,220,048
Total utility plant.....	179,669,223	160,208,809
Other physical property, at cost.....	75,084	74,352
Other investment, at cost	5,000	5,000
Total plant and other investments.....	179,749,307	160,288,161
CURRENT ASSETS:		
Cash in banks and on hand	5,949,851	3,868,154
Temporary cash investments—		
U. S. Treasury securities	3,993,675
Special deposits.....	85,233	95,949
Accounts receivable from customers and others, less reserve	3,184,114	2,903,820
Materials and supplies (including construction materials), at average cost or written-down amounts.....	2,501,954	2,159,828
Prepayments	221,687	236,202
Total current assets.....	11,942,839	13,257,628
DEFERRED DEBITS:		
Unamortized expense, less premium on debentures	27,546	29,166
Capital stock expense.....	458,242	428,709
Other	407,766	164,804
Total deferred debits	893,554	622,679
	<u>\$192,585,700</u>	<u>\$174,168,468</u>

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

BALANCE SHEET

LIABILITIES

CAPITAL STOCK (for details see "Capitalization") AND SURPLUS:	Dec. 31, 1951	Dec. 31, 1950
Preferred stock, cumulative, \$100 par:		
\$4.40 dividend, 120,000 shares	\$ 12,000,000	\$ 12,000,000
\$4.50 dividend, 50,000 shares	5,000,000	5,000,000
\$4.40 dividend, 1949 Series, 60,000 shares	6,000,000	6,000,000
\$4.20 dividend, 70,000 shares	7,000,000	7,000,000
Common stock, no par value, 2,884,590 shares (1950—2,719,899 shares)	28,511,775	25,011,774
Premium on preferred stocks	371,763	371,763
Earned surplus(b)	13,203,643	11,812,498
Total capital stock and surplus	<u>72,087,181</u>	<u>67,196,035</u>
LONG-TERM DEBT (for details see "Capitalization"):		
First mortgage bonds	72,000,000	62,000,000
Debentures, 3%, due January 1, 1969	14,550,000	15,000,000
Notes payable to banks, 1¾%, due 1953-1956	700,000	900,000
Total long-term debt	<u>87,250,000</u>	<u>77,900,000</u>
CURRENT LIABILITIES:		
Debentures, 3%, due within one year	450,000	
Notes payable to banks, due within one year	200,000	200,000
Accounts payable	1,744,537	1,703,073
Customers' deposits	225,004	208,933
Taxes accrued	4,557,336	3,986,867
Interest accrued	361,213	302,410
Other	16,407	24,298
Total current liabilities	<u>7,554,497</u>	<u>6,425,581</u>
DEFERRED CREDITS:		
Unamortized premium less expense on bonds	387,622	273,518
Customers' advances for construction	194,736	190,527
Other	7,501	10,696
Total deferred credits	<u>589,859</u>	<u>474,741</u>
RESERVES:		
Depreciation	22,776,981	20,058,898
Amortization of plant acquisition adjustments(a)	2,076,607	1,885,249
Injury and damage claims	250,575	227,964
Total reserves	<u>25,104,163</u>	<u>22,172,111</u>
	<u>\$192,585,700</u>	<u>\$174,168,468</u>

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

COMPARATIVE INCOME STATEMENT

for the years ended December 31, 1951 and 1950

	1951	Percent of Operating Revenues	1950	Percent of Operating Revenues	Increase
OPERATING REVENUES:					
Electric	\$30,367,842	92.5	\$26,579,773	92.7	\$3,788,069
Gas	1,742,635	5.3	1,466,163	5.1	276,472
Water	736,814	2.2	635,634	2.2	101,180
Total	32,847,291	100.0	28,681,570	100.0	4,165,721
OPERATING EXPENSES AND TAXES:					
Operation	11,803,780	35.9	10,424,723	36.3	1,379,057
Maintenance	2,428,107	7.4	1,830,383	6.4	597,724
Depreciation(d)	3,470,102	10.6	3,002,796	10.4	467,306
Amortization of plant acquisition adjustments(a)	191,358	.6	204,070	.7	12,712*
Taxes—Federal income tax(c)	4,126,773	12.6	3,060,741	10.7	1,066,032
Taxes—Other	2,874,363	8.7	2,661,624	9.3	212,739
Total	24,894,483	75.8	21,184,337	73.8	3,710,146
NET OPERATING REVENUES	7,952,808	24.2	7,497,233	26.2	455,575
OTHER INCOME—NET	16,980†		9,302		26,282*
GROSS INCOME	7,935,828	24.2	7,506,535	26.2	429,293
DEDUCTIONS FROM INCOME:					
Interest on long-term debt	2,201,208	6.7	2,011,958	7.0	189,250
Other interest	31,940	.1	27,727	.1	4,213
Interest charged to construction	301,915†	.9†	641,830†	2.2†	339,915
Amortization of premium less expense on bonds and debentures	8,763†		8,165†		598*
Other	48,783	.1	41,932	.1	6,851
Total	1,971,253	6.0	1,431,622	5.0	539,631
NET INCOME	\$ 5,964,575	18.2	\$ 6,074,913	21.2	\$ 110,338*
PREFERRED DIVIDENDS PAID	\$ 1,311,000		\$ 1,030,067		\$ 280,933
APPLICABLE TO COMMON STOCK	\$ 4,653,575		\$ 5,044,846		\$ 391,271*

* Decrease.

† Denotes red figure.

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY
COMPARATIVE EARNED SURPLUS STATEMENT
for the years ended December 31, 1951 and 1950

	<u>1951</u>	<u>1950</u>
BALANCE AT BEGINNING OF YEAR	\$11,812,498	\$10,366,864
ADDITIONS:		
Net income	5,964,575	6,074,913
Transfer from taxes accrued upon final settlement of liability for 1945		
Federal taxes on income	408,501	
Total	<u>18,185,574</u>	<u>16,441,777</u>
DEDUCTIONS:		
Write-down of electric utility plant pursuant to order of Federal		
Power Commission .		400,482
Loss on disposal of property	242,652	9,488†
Miscellaneous	16,178	21,919
Preferred dividends	1,311,000	1,030,067
Common dividends	3,412,101	3,186,299
Total	<u>4,981,931</u>	<u>4,629,279</u>
BALANCE AT END OF YEAR(b)	<u>\$13,203,643</u>	<u>\$11,812,498</u>

† Denotes red figure.

The accompanying notes are an integral part of the financial statements.

GULF STATES UTILITIES COMPANY

NOTES TO FINANCIAL STATEMENTS

(a) PLANT ACQUISITION ADJUSTMENTS

Pursuant to an order of the Federal Power Commission, the Company is providing a reserve for amortization of plant acquisition adjustments by charges to income over a period ending in 1957. In accordance with such order, the Company records the amortization charge in its accounts as a deduction from income but for purpose of this statement such charge has been classified as an operating expense since the Company considers it to be amortization of actual cost of property.

(b) RESTRICTIONS ON DIVIDENDS

Certain limitations on the payment of dividends on common stock are contained in the Company's charter and indentures, the most restrictive presently being that contained in the charter. At December 31, 1951, earned surplus unrestricted as to cash dividends on common stock amounted to \$5,003,744.

(c) FEDERAL TAXES ON INCOME

No provision has been made or is believed to be required for excess profits tax.

(d) PROVISIONS FOR DEPRECIATION

In 1946, the Company adopted the policy of making provisions for depreciation on a 6% compound interest method for all property other than transportation equipment for which depreciation was provided at the annual rate of 15% of the cost thereof.

(e) CONSTRUCTION PROGRAM

In connection with the construction program referred to under the caption "CONSTRUCTION PROGRAM" the Company had placed orders for equipment amounting to approximately \$18,700,000 at December 31, 1951.

GULF STATES UTILITIES COMPANY

REPORT OF ACCOUNTANTS

LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS
90 BROAD STREET
NEW YORK 4

To the Stockholders,

GULF STATES UTILITIES COMPANY:

We have examined the balance sheet of Gulf States Utilities Company as of December 31, 1951 and the related statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of income and earned surplus present fairly the financial position of Gulf States Utilities Company at December 31, 1951, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lybrand, Ross Bros & Montgomery

New York, N. Y.

March 8, 1952

GULF STATES UTILITIES COMPANY

TEN-YEAR SUMMARY

	1951	1950	1949
Operating Revenues	\$32,847,291	\$28,681,570	\$25,030,135
Operation and Maintenance	14,231,887	12,255,106	11,657,285
Depreciation	3,470,102	3,002,796	2,210,179
Amortization of Plant Acquisition Adjustments	191,358	204,070	204,070
Taxes (a)	7,001,136	5,722,365	4,475,910
Other Income—Net	65,763 (b)	32,629 (b)	2,920 (b)
Balance for Interest	7,887,045	7,464,604	6,479,771
Interest and Amortization	1,922,470	1,389,691	951,967
Balance for Dividends and Surplus (c)	5,964,575	6,074,913	5,527,804

(a) After reductions in Federal income taxes, resulting from amortization of emergency facilities, of \$84,497 in 1943, \$1,596,542 in 1944, and \$1,254,390 in 1945, and a reduction of \$396,918 in 1946 due to deductions for tax purposes of redemption premium and expenses incurred in refunding of bonds.

	1951	1950	1949
Electric Energy Generated and Purchased (thousands of kwh)	2,728,489	2,398,470	1,978,172
Steam Sold (millions of pounds)	17,150	15,718	14,767
Natural Gas Purchased (thousands of cubic feet)	3,650,091	3,289,560	2,950,318
Water Pumped (thousands of gallons)	2,782,875	2,444,649	2,560,126

NUMBER OF

	1951	1950	1949
Electric Customers	210,462	201,026	189,403
Gas Customers	36,513	34,415	31,210
Water Customers	19,461	19,913	17,064

GULF STATES UTILITIES COMPANY

OF OPERATIONS

1948	1947	1946	1945	1944	1943	1942
\$22,719,624	\$19,572,356	\$16,853,896	\$17,920,237	\$17,484,303	\$15,398,189	\$12,571,804
10,779,534	9,143,033	7,262,321	7,626,265	6,932,382	5,826,384	4,775,425
2,239,332	1,849,298	1,704,864	1,545,508	1,519,712	1,460,357	1,602,267
204,728	201,316	200,284	193,810	193,810	193,810	—0—
4,108,216	3,698,106	2,993,271	3,697,159	3,838,840	4,537,366	3,198,297
31,877(b)	53,675(b)	7,090	77,156(b)	15,551(b)	54,013	62,409(b)
5,355,937	4,626,928	4,700,246	4,780,339	4,984,008	3,434,285	2,933,406
740,090	683,448	841,976	926,480	1,152,705	1,225,185	1,230,236
4,615,847	3,943,480	3,461,352	2,599,569	2,234,761	2,209,100	1,703,170

(b) Loss.

(c) Before giving effect to reductions in Federal income taxes of \$1,596,542 in 1944, \$1,254,290 in 1945, and \$396,918 in 1946.

1948	1947	1946	1945	1944	1943	1942
1,833,207	1,604,552	1,348,982	1,549,010	1,567,407	1,332,048	978,434
13,366	12,304	11,433	11,763	11,987	11,978	10,887
2,814,510	2,514,658	1,897,736	1,737,633	1,778,578	1,731,964	1,481,860
2,489,338	2,199,265	2,233,709	2,381,341	2,276,101	1,793,748	1,337,618

CUSTOMERS

1948	1947	1946	1945	1944	1943	1942
174,888	157,088	139,683	124,902	115,521	107,139	104,010
27,357	22,702	19,634	17,254	16,388	15,495	15,116
15,563	13,813	12,592	11,399	10,679	10,078	9,713

GULF STATES UTILITIES COMPANY

OPERATING STATISTICS

ELECTRIC DEPARTMENT

	<i>For Year or on Dec. 31</i>	
	1951	1950
Number of customers:		
Residential	182,092	173,270
Commercial	27,245	26,703
Industrial	877	832
Other	248	221
Total	210,462	201,026
Generator capacity (name plate rating) net kilowatts:		
Steam (a)	475,500	400,500
Internal combustion	5,050	5,050
Total	480,550	405,550
Capability at time of peak load, including firm capacity under contract—kilowatts (b)	516,000	419,775
Emergency and/or surplus power subject to availability—kilowatts	52,000	70,000
Peak load—kilowatts	439,800	389,075
Maximum demand steam sold—		
M-pounds per hour.....	2,249	2,147
Output—net M-kwh generated and purchased:		
Steam	2,727,951	2,334,461
Internal combustion	172	597
Purchased	366	63,412
Total	2,728,489	2,398,470
Sales—M-kwh:		
Residential	297,047	255,481
Commercial	302,040	274,982
Industrial	1,723,249	1,488,919
Other	214,305	192,959(c)
Total (d)	2,536,641	2,212,341
Steam sales—		
millions of pounds	17,150	15,718
Electric line—pole miles:		
6,600 volts or over.....	4,953	4,526
Less than 6,600 volts	4,269	4,149

GAS DEPARTMENT

	<i>For Year or on Dec. 31</i>	
	1951	1950
Number of customers	36,513	34,415
Natural gas purchased—		
M-cubic feet	3,650,091	3,289,560
Sales—M-cubic feet	3,554,675	3,026,096
Main—miles	398	379

WATER DEPARTMENT (e)

	<i>For Year or on Dec. 31</i>	
	1951	1950
Number of customers	19,461	19,913
Pumping capacity—		
M-gallons per day	34,416	34,056
Output—		
M-gallons pumped	2,782,875	2,444,649
Sales—M-gallons	2,300,314	1,972,997
Main—miles	269	290

(a) Excludes 5,000 kw of station auxiliary generators used primarily for station service.

(b) Plant capability at time of peak load is the sum of the net dependable capacity, excluding station use requirements, available from steam and internal combustion engine plants at such time.

(c) Includes 370 M-kwh of non-firm power transferred to Louisiana Power & Light Company.

(d) Difference between total output and total sales represents energy distributed to departments other than electric, free service, Company use and losses.

(e) On October 1, 1951 the Company sold its water properties at Navasota, Franklin, and Calvert, Texas.

GULF STATES UTILITIES COMPANY

OPERATING REVENUES — ELECTRIC DEPARTMENT

	1951	Per Cent of Total	1950	Per Cent of Total	Increase
Residential and rural	\$ 9,292,528	30.6	\$ 8,229,745	31.0	\$1,062,783
Commercial	7,568,347	24.9	6,982,891	26.3	585,456
Industrial	10,826,807	35.7	8,910,729	33.5	1,916,078
Steam	775,033	2.5	692,760	2.6	82,273
Other	1,905,127	6.3	1,763,648	6.6	141,479
Total	\$30,367,842	100.0	\$26,579,773	100.0	\$3,788,069

TAXES IN DETAIL

	1951	Per Cent of Total	1950	Per Cent of Total	Increase
Federal income	\$ 4,126,773	58.3	\$ 3,060,741	52.8	\$1,066,032
Other Federal	588,724	8.3	583,915	10.1	4,809
Property	1,356,162	19.2	1,258,387	21.7	97,775
Other	1,004,324	14.2	891,160	15.4	113,164
Total	\$ 7,075,983	100.0	\$ 5,794,203	100.0	\$1,281,780
Less taxes charged other accounts	74,847		71,838		3,009
Taxes charged against income	\$ 7,001,136		\$ 5,722,365		\$1,278,771

RATE INFORMATION (Effective January 1, 1946)

Residential Electric Rates (Monthly)

\$.045 per kwh for the first 50 kwh
 .040 per kwh for the next 40 kwh
 .020 per kwh for all additional kwh
 1.00 minimum charge

Energy for off-peak water heating is offered at 1.0¢ per kwh, with a minimum charge of \$1.00 per month.

General Gas Rate (Monthly)

\$1.00 for the first 700 cu. ft.
 .50 per M cu. ft. for the next 79,300 cu. ft.
 .30 per M cu. ft. for the next 60,000 cu. ft.
 .20 per M cu. ft. for all additional cu. ft.
 1.00 minimum charge

The above schedule is in effect for all residential and most commercial customers.

CUSTOMER USE AND REVENUE (Electric)

	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942
Average annual use per residential customer—kwh	1,670	1,515	1,463	1,373	1,280	1,224	1,170	1,161	1,130	1,037
Average annual revenue per residential customer—dollars	52.23	48.81	47.25	44.84	42.39	41.07	42.83	43.38	42.62	39.99
Average revenue per kwh sold—cents										
Residential	3.1	3.2	3.2	3.3	3.3	3.4	3.7	3.7	3.8	3.9
Commercial	2.5	2.5	2.6	2.7	2.8	2.8	2.8	2.8	2.9	3.0
Industrial (a)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	.9	1.0	1.2

(a) Electric operations of combined steam-electric customers are excluded.

GULF STATES UTILITIES COMPANY

CAPITALIZATION

December 31, 1951

STOCK

Preferred Stock.

\$100 par value, issuable in series; preferred as to dividends and in case of liquidation.

Title of Series:	Authorized and Outstanding
\$4.40 Dividend Preferred Stock	120,000 shares
\$4.50 Dividend Preferred Stock	50,000 shares
\$4.40 Dividend Preferred Stock, 1949 Series	60,000 shares
\$4.20 Dividend Preferred Stock	70,000 shares

Dividends: Cumulative, at the rate per share per annum designated in the title of the respective series, payable quarterly on March 15, June 15, September 15 and December 15.

Entitled to \$100 per share and dividends accrued or in arrears in involuntary liquidation. Entitled to the following amounts upon redemption or voluntary liquidation, together with dividends accrued or in arrears in all cases: \$4.40 Dividend; \$109.50 per share prior to October 1, 1954, and \$108.00 per share on October 1, 1954 and thereafter. \$4.50 Dividend; \$105 per share. \$4.40 Dividend, 1949 Series; \$105 per share prior to September 15, 1954, \$104 per share on September 15, 1954 and thereafter prior to September 15, 1959, and \$103 on September 15, 1959 and thereafter. \$4.20 Dividend; \$104.818 per share prior to October 1, 1955, \$103.818 per share on October 1, 1955 and thereafter prior to October 1, 1960, and \$102.818 per share on October 1, 1960 and thereafter.

The \$4.40 Dividend Preferred Stock and the \$4.20 Dividend Preferred Stock are listed on the New York Stock Exchange.

Common Stock, no par value.

Outstanding	2,884,590 shares
Unissued	2,115,410 shares
Authorized	5,000,000 shares

The Common Stock is listed on the New York Stock Exchange and has unlisted trading privileges on the Boston Stock Exchange and the New Orleans Stock Exchange.

Voting Rights.

The \$4.40 Dividend Preferred Stock possesses full voting rights in the election of directors and for all other corporate purposes. The \$4.50 Dividend Preferred Stock, the \$4.40 Dividend Preferred Stock, 1949 Series, and the \$4.20 Dividend Preferred Stock are not entitled to vote except that such series have class voting power along with the \$4.40 Dividend Preferred Stock for certain protective purposes. All series of Preferred Stock, in cases where they are entitled to vote, are entitled to seven votes per share.

The Common Stock is entitled to one vote per share for the election of directors and for all other corporate purposes, subject to certain voting rights of the Preferred Stock.

BONDS

First Mortgage Bonds, secured by an Indenture of Mortgage of the Company dated September 1, 1926, as supplemented and modified, are issuable in series. The aggregate principal amount of Bonds to be outstanding at any one time is limited by said Indenture of Mortgage to \$200,000,000, subject also to other restrictions, and the Stockholders have authorized the issuance of Bonds of any series within such limit and subject to such restrictions from time to time pursuant to the terms of said Indenture of Mortgage, as supplemented and modified. Bonds are issuable as coupon Bonds, registerable as to principal only, of the denomination of \$1,000, or as fully registered Bonds without coupons of the denomination of \$1,000 and of such multiples of \$1,000 as the Company may authorize. The principal amount of Bonds outstanding at December 31, 1951 are as follows:

<i>Title</i>	<i>Dated</i>	<i>Due</i>	<i>Outstanding</i>
First Mortgage Bonds, 2 $\frac{5}{8}$ % Series due 1976 ...	May 1, 1946	May 1, 1976	\$27,000,000*
First Mortgage Bonds, 3 % Series due 1978.....	April 1, 1948	April 1, 1978	\$12,000,000
First Mortgage Bonds, 2 $\frac{3}{4}$ % Series due 1979....	Dec. 1, 1949	Dec. 1, 1979	\$10,000,000
First Mortgage Bonds, 2 $\frac{3}{4}$ % Series due 1980 ..	June 1, 1950	June 1, 1980	\$13,000,000
First Mortgage Bonds, 3 $\frac{3}{8}$ % Series due 1981....	Nov. 1, 1951	Nov. 1, 1981	\$10,000,000
Total			<u>\$72,000,000</u>

* Excludes \$1,000,000 nominally issued and held in Treasury of Company.

Callable: As a whole or in part on at least thirty days notice at specified percentages of the principal amount applicable during any twelve-month period beginning, in respect of each Series, on the anniversary of the date of issue of such Series, plus accrued interest. The percentages currently applicable in the respective twelve-month periods are the Regular Redemption Prices set forth below, except that if the redemption is made (a) for the Sinking and Improvement Fund, (b) with cash in the Maintenance and Replacement Fund or with certain trust moneys, or, (c) in respect of the 1978 Series, the 1979 Series, the 1980 Series, or the 1981 Series Bonds, as a whole within twelve months after acquisition of not less than a majority of the outstanding Common Stock of the Company by any public body, agency, instrumentality or authority, or any non-profit cooperative body, or any nominee thereof, the percentages currently applicable are the Special Redemption Prices set forth below:

<i>Series</i>	<i>Twelve Month Period Beginning</i>	<i>Regular Redemption Price</i>	<i>Special Redemption Price</i>
1976 Series	May 1, 1951	104 $\frac{1}{4}$ %	101 $\frac{3}{8}$ %
	May 1, 1952	104 $\frac{1}{8}$ %	101 $\frac{3}{8}$ %
1978 Series	April 1, 1952	104.10 %	101.65 %
1979 Series	Dec. 1, 1951	105.20 %	102.60 %
	Dec. 1, 1952	105.05 %	102.55 %
1980 Series	June 1, 1951	103.90 %	101.05 %
	June 1, 1952	103.75 %	101.00 %
1981 Series	Nov. 1, 1951	105.40 %	102.40 %
	Nov. 1, 1952	105.20 %	102.35 %

Sinking and Improvement Fund Provisions: The Indenture provides Sinking and Improvement Funds in respect of each of the outstanding Series of Bonds, the amounts of such funds being, in respect of the 1976 Series Bonds, $\frac{1}{2}$ % semiannually of the total issued Bonds of said Series; and in respect of each of the other Series, 1.2 % annually beginning in 1954, of the total issued Bonds of the respective Series (after deducting the amount of Bonds of the particular Series retired by release moneys etc., if one million dollars or more). The Sinking Fund requirement in respect of Bonds of any Series may be satisfied by property credits (on a 60 % basis) or by waiving the right to issue an equal amount of Bonds (of any Series) and may be anticipated by redemption of Bonds of the particular Series.

Maintenance and Replacement Provisions: An amount equal to 15 % of operating revenues (less cost of electricity and gas purchased for resale and rentals) shall be spent by the Company for maintenance or additions to property, or to the extent not so spent the balance of such

15% less certain credits for debt retirement, etc., shall be deposited with the Trustee in cash or Bonds or prior lien debt. This provision operates cumulatively from December 31, 1945. The foregoing Maintenance and Replacement Provisions shall continue in effect so long as any of the presently issued Bonds remain outstanding. An examination by an independent engineer as to maintenance and retirements is required at least every five years.

Trustee and Registrar of Bonds: The Hanover Bank, New York, New York.

Coupons: Semiannually, payable at The Hanover Bank, New York, New York. Coupons on the 1976 Series and 1978 Series Bonds are also payable at Halsey, Stuart & Co. Inc., Chicago, Illinois.

Tax Provisions: None.

Listed: All Series on New York Stock Exchange.

DEBENTURES

20 Year, 3%, Due January 1, 1969:

Authorized and outstanding _____ \$15,000,000

Callable: As a whole or in part on at least 30 days' notice at specified percentages of the principal amount applicable during any 12-month period beginning January 1 each year, plus accrued interest. The percentages applicable in the respective 12-month periods range from 103.40% on January 1, 1951 to 100% on and after January 1, 1968, except that they range from 100.70% on January 1, 1951 to 100% on January 1, 1968 if the redemption is made (a) for the sinking fund, on or within twelve months prior to any sinking fund payment date, or (b) as a whole within twelve months after (i) the acquisition of not less than a majority of all of the capital stock of the Company (not preferred as to payment on liquidation) by any governmental bodies or other specified entities, as a bona fide step in the dissolution of the Company, or (ii) sale to, or taking or purchase by, any of such governmental bodies or other specified entities, of all or substantially all of the property of the Company.

Sinking Fund: Annually, on or before August 31 in each year beginning August 31, 1952, the Company will pay a sum sufficient to redeem, on the then next ensuing September 1, \$450,000 principal amount of Debentures, or this requirement may be satisfied in whole or in part by delivering Debentures or by crediting redeemed Debentures.

Debt, Lien and Dividend Restrictions: The Debentures are unsecured but have the benefit of certain restrictions, including restrictions on the issue or assumption of funded debt and the payment of dividends on Common Stock all as provided in the Indenture relating thereto.

Coupons: January 1 and July 1, payable at Irving Trust Company, New York, N. Y.

Tax provisions: None.

Listed on New York Stock Exchange.

Trustee and Registrar of Debentures: Irving Trust Company, New York, N. Y.

LONG-TERM LOANS

Bank notes, dated June 26, 1946, in the aggregate principal amount of \$2,000,000 payable in semiannual installments aggregating \$100,000 on each December 1 and June 1 beginning December 1, 1946 and ending June 1, 1956 with an interest rate of $1\frac{3}{4}\%$ per annum.

Original principal amount.....	\$2,000,000
Notes paid	<u>1,100,000</u>
Unpaid balance	\$ 900,000

Prepayable: At any time, the latest maturity first, at principal amount and accrued interest, plus (in case the call is for the purpose of refunding with other loans) a premium determined by a 1.6% yield to maturity.



The Standard Oil Company refinery at Baton Rouge, Louisiana, a large user of steam and electric power supplied by Gulf States, is one of the most important plants of the petro-chemical industry located in the Company's service area.



GULF STATES UTILITIES COMPANY

Beaumont, Texas

THE STORY OF TEN LITTLE FREE WORKERS

THESE ARE THE WORKERS:

REDDY DOCTOR RAILROADER OIL WORKER STEELWORKER FARMER LAWYER GROCER SALESLERK REPORTER



Ten little workers in this country fine and fair.
But if you cherish your freedom—worker have a care!
Ten little free workers—Reddy was doing fine
Until the socialists got him—then there were nine.



Nine little free workers laughed at Reddy's fate,
Along came federal medicine—then there were eight.



Eight little free workers thought this country heaven,
But the government took over the railroads—then there were seven.



Seven little free workers—till oil workers got in a fix,
Uncle said oil's essential and took over, leaving six.



Six little free workers till the day did arrive
The steel mills too were federalized—then there were five.



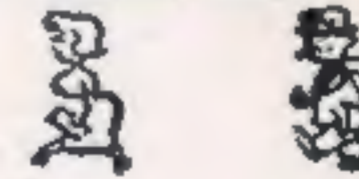
Five little free workers—but the farmers are free no more,
The farms have been collectivized—that leaves only four.



Four little free workers till the government did decree
All must have free legal advice—then there were three.



Three little free workers—the number's getting few,
But with government groceries selling food—then there were two.



Two little free workers—our story's almost done,
With clerks at work in federal store—that leaves only one.



One little free worker—the reporter son-of-a-gun,
Mustn't criticize government—so now there are none.



Ten little workers—but they're no longer free
They work when and where ordered—and at a fixed rate, you see,
And it all could have been prevented if they'd only seen fit to agree
And work together instead of saying, "it never can happen to me!"

